Banco de Comercio Exterior de Colombia S.A. - Bancóldex

Financial Statements for the Years ended December 31, 2017 and 2016 and Report of the Statutory Auditor

BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. - BANCÓLDEX
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(IN THOUSANDS OF COLOMBIAN PESOS, EXCEPT WHERE INDICATED OTHERWISE)

1. REPORTING INSTITUTION

Banco de Comercio Exterior de Colombia S.A. – BANCÓLDEX, is a National order, mixed economy company, organized as a credit bank establishment, linked to the Ministry of Commerce, Industry and Tourism, established and organized according to the Colombian Laws as of January 1, 1992, in accordance with the provisions of Law 7 and Decree 2505 of 1991; Its term of duration is 99 years as of December 30, 1992 and, in accordance with Resolution No. 0652 of April 15, 1996 of the Superintendence of Finance of Colombia, the duration term of the Bank is extended until December 30, 2091.

Articles 58 and 94 of Law 795 of January 14, 2003, confirm the legal nature of the Bank, exempt it from the regime of forced investments and authorize it to rediscount leasing transactions

In addition, pursuant to Articles 44, 46 and 50 of Law 1450 of 2011, the National Government grants the Bank powers to administer the Modernization and Innovation Fund for Micro, Small and Medium Enterprises, the Development and Innovation Unit and the Productive Transformation Program under a figure similar to Autonomous Patrimony. Article 13 of Law 1753 of 2015 ordered the unification of the Development and Innovation Unit (Article 46 of Law 1450 of 2011) and the Modernization and Innovation Fund for Micro, Small and Medium Enterprises (Article 44 of Law 1450 of 2011) and created the Business Growth Management Unit, which assumes the mission and functions of these programs under a unified approach.

Article 126 of Law 1815 of December 7, 2016, by means of which "the Income and Capital Resources Budget and Appropriations Law are decreed for the fiscal period from January 1 to December 31, 2017", established that "The autonomous patrimonies whose administration has been assigned by law to the Banco de Comercio Exterior de Colombia S.A. - Bancoldex may be managed directly by Bancoldex or through its subsidiaries. On March 24, 2017, effective from April 1 of the same year, due to the legal authorization given and by Policy definition of the Ministry of Commerce, Industry and Tourism, Bancóldex ceded to FIDUCÓLDEX the contractual position it holds under Inter-Administrative Agreement 375 of 2015.

It is domiciled in the city of Bogotá, D.C., has no branches or agencies and operates with the following number of employees:

	2017	**2016**
Bancóldex	300	317
Programa de Inversión Banca de las Oportunidades	19	20
Total	**319**	**337**

The statutory reforms have been as follows:

Deed No.	Date	Reform
1372	November 23, 1993	By means of which a transitory paragraph was added to article 66 of the Articles of Association.
1578	December 29. 1993	By means of which the capital is reduced and the shareholding of the partners is modified.
520	May 19, 1995	By means of which article 45 of the Articles of Association is modified.
2229	May 7, 1996	By means of which several articles of the Articles of Association related to Law 222 of 1996 were modified.
3254	June 24, 1998	By means of which several articles of the articles of association related to the reform of the Commercial Code were modified, the Bank's authorized capital was increased and an extraordinary account cut was made as of June 30, 1998.
1254	April 30, 1999	Through which several articles of the statutes were updated with the current legislation.
3798	September 3, 2001	Through which several articles of the statutes were updated with the current legislation.
2904	July 9, 2002	By means of which article 50 of the statutes was modified based on the recommendation given by the Superintendence of Finance of Colombia regarding the Good Governance Code.
4568	October 6, 2004	By means of which article 6 was modified referring to the corporate purpose of the Bank, reiterating its nature as a second-tier bank.
2339	June 26, 2008	By means of which Articles 6, 19, 21, 22 and 76 of the Bank's bylaws were amended.
1366	April 22, 2009	Through which a statutory reserve is created.
1264	May 23, 2012	By means of which the amount of capital authorized for the capitalization of the equity revaluation account was increased.
789	April 18, 2013	Through which the amount of the statutory reserve is reduced.
931	April 25, 2014	Through which articles 46 and 49 of the Articles of Association were updated to maintain consistency with articles 206 and 437 of the Code of Commerce.
850	April 20, 2015	Through which the changes made in the Country Code Survey were implemented, which was modified through External Circular Letter 028 of 2014 issued by the Superintendence of Finance of Colombia.

Its corporate purpose is to finance, primarily but not exclusively, export-related activities and domestic industry by acting as a discount or rediscount bank rather than as a direct intermediary.

It may also carry out credit operations, including financing Colombian export buyers, discount loans granted by other financial institutions, grant and receive guarantees and endorsements in legal or foreign currency and other activities authorized by the Organic Statute of the Financial System and current regulations.

The Bank has control over Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex, with a stake of 89.32%, an indirect mixed economy corporation of the national order, subject to inspection and surveillance by the Superintendence of Finance of Colombia, constituted since October 31, 1992, with headquarters in Bogotá D.C. Its corporate purpose is the execution of a trust agreement with the Nation (represented by BANCÓLDEX), to promote Colombian exports and fulfill other purposes stipulated in Decree 663 of 1993, such as the execution of trust agreements in all their aspects and modalities, as well as the execution of all the operations, businesses, acts, orders and services of the fiduciary activity.

Likewise, as of May 28, 2003, it created a control situation over ARCO Grupo Bancoldex S.A. (formerly Leasing Bancóldex S.A.), with a participation of 87.45%, a mixed economy company of indirect creation, not attached or linked to any Ministry and assimilated to an industrial and commercial company of the State, of Colombian nationality and domiciled in the city of Bogota D.C., organized as a financing company, subject to inspection and oversight by the Superintendence of Finance of Colombia, created by public deed 1557 of 1994 granted at the Notary's Office 4 of the Círculo de Bogotá (authorization of operation contained in Resolution 718 of 1994 by the Superintendence of Finance of Colombia). The two aforementioned investments are detailed in note 8.

2. PRESENTATION GROUNDS

Applied accounting standards - The accompanying separate financial statements of the Bank, in accordance with the provisions in force issued by Law 1314 of 2009, regulated by Decree 2420 of 2015, as amended by Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017, have been prepared in accordance with Colombian Financial Reporting Standards (NCIF), which are based on International Financial Reporting Standards (IFRS), together with the following International Financial Reporting Standards (IFRS) at December 31, 2015.

In addition, in compliance with current laws, decrees and other regulations, the Bank applies the following accounting criteria that differ from those of the IFRS issued by the IASB:

- Decree 2420 of December 14, 2015 - Whereby information preparers that are classified as public interest entities, that capture, manage or administer public resources, must not apply IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 9 - Financial Instruments, in relation to the treatment of the credit and impairment portfolio, and the classification and valuation of investments.

  Therefore, according to the Basic Accounting and Financial Circular Letter of the Superintendence of Finance of Colombia, the loan portfolio is recorded at historical cost and its impairment is determined by the expected loss models; investments are classified as: negotiable investments, investments to be held to maturity and investments available for sale and are valued at their market value or fair exchange price.

- Article 2.1.2. of Book 2, Part 1, of Decree 2420 of 2015 added by Decree 2496 of 2015 and modified by Decree 2131 of 2016 requires the application of Art. 35 of Law 222, which states that interests in subsidiaries should be recognized in separate financial statements using the equity method rather than recognition in accordance with IAS 27, i.e. at cost or fair value

- Law 1739 of December 23, 2014 - By which the National Government establishes the wealth tax. This tax is generated by the possession of wealth (gross equity less current debts) equal to or greater than $1,000 million pesos as of January 1 for the years 2015 to 2017. This Law indicates that taxpayers may charge this tax against equity reserves without affecting net income for the year, both in the separate or individual balance sheets, as well as in the consolidated ones

- External Circular No. 36 of 2014 of the Superintendence of Finance of Colombia - Gives instructions on how to account for adjustments to the opening balance sheet of controlled companies, controlling entities of controlled entities and makes some recommendations related to these adjustments in entities controlled by said superintendence and accounting in the consolidated financial statements of adjustments arising from impairment models of financial assets. It also requires that financial information preparers subject to the supervision of this Superintendence, provide for the provision of assets received in lieu of payment or returned, regardless of their accounting classification, following the instructions established in Chapter III of the Basic Accounting and Financial Circular Letter. Under IFRS, these assets are measured in accordance with their classification under IAS 16 or IFRS 5, as appropriate

Basis of preparation and measurement - The Bank is required by its bylaws to prepare and disclose its general purpose financial statements once a year, on December 31st. For legal purposes in Colombia, the main financial statements are the individual or separate financial statements.

The Bank's financial statements as of December 31, 2016, correspond to the first financial statements prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (NCIF).

The Bank has applied the accounting policies, judgements, estimates and significant accounting assumptions described in Note 4.

The financial statements were prepared on a historical cost basis except for the following significant items which are measured at fair value through profit or loss in the statement of financial position:

- Investments at fair value through profit or loss - debt instruments.

- Investments at fair value with changes in ORI - debt instruments

- Investments at fair value with changes in ORI - equity instruments

- Derivative financial instruments.

- Liabilities designated at fair value through profit or loss.

- Properties measured subsequently by the revaluation model

Functional and presentation currency - In accordance with International Accounting Standard 21, "Effects of changes in foreign exchange rates", the Bank considers the Colombian peso (COP) to be the functional and presentation currency of the financial statements, since it is the currency of the primary economic environment in which the Bank operates, and also the currency that influences the structure of expenses and revenues.

All balances and transactions denominated in currencies other than the Colombian peso are treated as "foreign currency".

Going Concern - The preparation of the financial statements was made on a going concern basis and it was determined that there is no uncertainty about facts, events or conditions that could give rise to significant doubt about the entity's continuing ability to operate normally. The judgements by which the Bank was determined to be a going concern, are relative to the evaluation of the current financial situation, its current intentions, the results of its operations and access to financial resources in the financial market, where the impact of such factors on future operations was also considered, and no situation was determined that would make it impossible for the Bank to operate as a going concern.

Accrual basis of accounting - The Bank prepares its financial statements, except for information on cash flows, using the accrual basis of accounting, so that the Bank recognizes items such as assets, liabilities, equity, income and expenses when they meet the definitions and recognition criteria provided for in the conceptual framework of international financial reporting standards.

Materiality - The Bank will determine the relative importance of the figures to be presented in the financial statements according to their function or nature. That is, if a particular item is not material, it is aggregated with other items, since the Bank is not required to provide a specific disclosure required by an IFRS when the information is not material.

Uniformity of presentation - The Bank shall maintain the presentation and classification of the items disclosed in the financial statements from period to period, unless a review of activities that are material to the presentation of the financial statements is presented, or when it becomes apparent that another presentation or classification will be more appropriate, considering the criteria defined by the Bank's policies in force.

Disclosure about the criteria and estimates used to recognize each group of components of assets and liabilities shall be disclosed in the notes relating to accounting policies. When required for comprehensibility purposes, the importance of the use of these estimates and assumptions affecting the amounts presented in the financial statements shall be stipulated in the explanatory notes to the financial statements, which detail the explanatory notes generated for each group of components that require a segregated description of the value judgements used, relevant to the presentation of the financial statements.

3. MAIN ACCOUNTING POLICIES

The main accounting policies defined for the preparation of these financial statements, including any accounting instructions from the Superintendence of Finance of Colombia, detailed below, have been applied regularly to the periods presented in these financial statements, unless otherwise indicated.

a. *Foreign Currency Transactions* – For financial statement presentation purposes, assets and liabilities in functional currency are expressed in Colombian pesos, using the Exchange rates prevailing at the cut-off date of the statement of financial position. Income and expense items are translated at the Exchange rates prevailing at the date of the transactions.

   At December 31, 2017 and 2016, the Exchange rates were $2.984.00 and $3.000.71, respectively.

b. *Cash and cash equivalents -* cash equivalents are intended to hedge obligations short term operations and represent securities that are readily convertible to cash and do not result in a significant change in their value. A financial instrument is a cash equivalent item, only if held to use the surplus and not for investment purposes. The bank recognizes as cash and cash equivalents, for the cash flow statement, the value of the resources it holds for immediate availability, such as: securities on hand, deposits with Banks (local and foreign accounts).

c. *Money Market Operations – Initial Measurement:* The Bank Will recognize a financial asset at fair value, which is usually the value agreed upon inception of the transaction. Transaction costs will be recognized directly in the Income Statement. *Subsequent Measurement:* The bank will subsequently recognize financial assets at amortized cost using the effective interest rate method.

d. *Financial Assets* - Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value and whose transaction costs are recognized directly in profit or loss. All financial assets are recognized and derecognized at the trade date when a purchase or sale of a financial asset is made.

   The Bank classifies its financial assets in the following categories: i) measured at fair value through profit or loss, ii) financial assets measured at amortized cost, iii) and financial assets measured at fair value with changes in ORI. Classification depends on the business model with which the financial instruments were acquired. Management determines the classification of its financial instruments on initial recognition.

   - *Financial assets at fair value through profit or loss* - Financial assets are classified at fair value through profit or loss when the financial asset is held for trading or designated at fair value through profit or loss.

   A financial asset is kept for negotiation if:

   - It has been acquired primarily for short-term sale; or
   - At the time of initial recognition, it is part of a portfolio of financial instruments managed by the Bank and there is evidence of a recent pattern of short-term benefits; or
   - It is a derivative that has not been designated and effective as a hedging instrument or financial guarantee.
   - Financial assets other than financial assets held for trading may be designated at fair value through profit or loss on initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that may arise; or

- The financial asset is part of a group of financial assets or liabilities or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or

- It is part of a contract that contains one or more embedded instruments, and IAS 39 allows the entire combined contract to be designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are recorded at fair value, recognizing any gain or loss arising from the new measurement in the income statement. The net gain or loss recognized in profit or loss incorporates any interest or dividend earned on the financial asset and is included under 'Other gains and losses'.

- *Investments measured at amortized cost* - These are investments held to maturity, non-derivative financial assets with fixed or determinable payments and fixed maturity dates which the Bank has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

- *Financial assets measured at fair value with changes in ORI* - These are financial assets available for sale, non-derivative instruments that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted redeemable instruments held by the Bank that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. The Bank also has unlisted investments that are not traded in an active market but are also classified as available-for-sale financial assets and expressed at fair value at the end of the reporting period (since management believes that fair value can be measured reliably). Changes in the carrying amount of available-for-sale monetary financial assets related to changes in foreign exchange rates and interest income calculated using the effective interest method are recognized in earnings or losses. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and are accumulated under the heading of investment revaluation reserve. At the time of sale of the investment or if it is determined that it is impaired, the previously accumulated profit or loss in the investment revaluation reserve is reclassified to retained earnings or losses.

Dividends on available-for-sale equity instruments are recognized in earnings or losses when the Bank's right to receive dividends is established.

The fair values of available-for-sale monetary financial assets denominated in foreign currency are determined in that foreign currency and translated at the exchange rates prevailing at the end of the period. Other foreign exchange gains and losses are recognized in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price and whose fair value cannot be measured reliably and related derivatives are cancelled upon delivery of such unquoted equity investments are measured at cost minus any impairment losses identified at the end of each reporting period.

- *Loans and receivables portfolio* – These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The portfolio is recognized at fair value (Amount disbursed) and transaction costs are recognized directly in the income statement. Additionally, interest is recognized on a linear basis over the life of the instrument.

  Interest income is recognized when applying the current interest rate, except for short-term accounts receivable when the effect of not discounting is not significant, suspending the accrual of interest on the portfolio in arrears for two months or more depending on the type of loan and its rating, and providing for all of them. Unused interests are controlled through contingent liability accounts.

  For their evaluation, the Bank monitors them on an ongoing basis, treating separately those derived from the loan portfolio and others.

- *Impairment of financial assets* – Financial assets other than those designated at fair value through profit or loss are proven for impairment at the end of each reporting period. A financial asset is impaired when there is objective evidence of impairment because of one or more events that have occurred after initial recognition of the asset and the estimated future cash flows of the financial asset have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

For all other financial assets, objective evidence of impairment may include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as arrears or failure to pay interest or equity; or

- the borrower is likely to go into bankruptcy or financial reorganization; or

- the disappearance of an active market for that financial asset due to financial difficulties.

For certain categories of financial assets, such as trade receivables, impairment is assessed on a collective basis. Objective evidence that a portfolio of accounts receivable may be impaired could include the Bank's past experience in collecting payments, an increase in the number of late payments in the portfolio that exceed the average credit period of 60 days, as well as observable changes in local and national economic conditions related to default.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the carrying amount and the present value of the asset's estimated future cash flow, discounted at the original effective interest rate of the financial asset.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the discounted cash flow estimated at the current market return rate for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through an impairment account. When a trade receivable is considered uncollectible, it is written off against the impairment account. The subsequent recovery of the amounts previously eliminated is turned into credits against the impairment account, if they occur within the same period, otherwise, it will be recorded as a recovery in income. Changes in the carrying amount of the impairment account are recognized in the income statement.

When an available-for-sale financial asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss for the period.

For financial assets carried at cost, if, in a subsequent period, the amount of the impairment loss decreases and it may be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed with a change in the income statement provided that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount that would have resulted from the amortized cost, had it not been recognized.

Regarding available-for-sale equity securities, impairment losses previously recognized in the income statement are not reversed through the income statement. Any increase in fair value after an impairment loss is recognized in other comprehensive income and accumulated under "Investment Revaluation Reserve". With respect to available-for-sale debt securities, impairment losses are reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event that occurs after the impairment loss is recognized.

- *Derecognition of financial assets* – The Bank derecognizes a financial asset only when the contractual rights to the financial asset's cash flows expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset to another entity. If the Bank does not transfer or retain substantially all the risks and rewards of ownership, and continues to retain control of the transferred asset, the Bank will recognize its participation in the asset and the associated obligation for the amounts it would have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank will continue to recognize the financial asset and will also recognize a collateral loan for income received.

  In the total derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

In the event of the partial derecognition of a financial asset (i.e. when the Bank retains an option to reacquire part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize, under a continuing interest, and the part it will no longer recognize, based on the relative fair value of those parts at the date of the transfer. The difference between the carrying amount allocated to the part that will no longer be recognized and the sum of the consideration received by the part that will no longer be recognized and any cumulative allocated gain or loss that would have been recognized in other comprehensive income is recognized in profit or loss. The cumulative gain or loss that would have been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that will no longer be recognized.

e. *Investment financial assets* - The provision of criteria applicable to the presentation, classification and valuation of investments are designated according to applicable regulations, since the entities subject to inspection and surveillance by the Superintendence of Finance of Colombia, are obliged to value and account for investments in debt securities, Participative securities and investments in securities and other rights of economic content in accordance with Chapter I of the Basic Accounting and Financial Circular Letter, therefore its provisions will be used with respect to the requirements applicable to the insurance of the Bank´s separate financial statements. Additionally, the Superintendence of Finance of Colombia through its External Circular Letter 051 issued a modification of numeral 2.8 of Title IX of the Basic Legal Circular to make a precision regarding the minimum information to be reported when brokering derivative financial instruments.

- *Objective of investment valuation* - The fundamental objective of investment valuation is the accounting recognition and disclosure at fair value of financial instruments at which a given security or bond could be traded on a given date, in accordance with its particular characteristics, within the conditions prevailing in the market on that date.

- *Definition of fair value* - The measurement of fair value requires the Bank to evaluate the valuation concepts, criteria and techniques defined by the applicable regulations. For such effect, the Superintendence of Finance of Colombia in the Basic Accounting and Financial Circular Letter, defines fair value as the fair exchange price at which a security could be negotiated on a determined date, according to its particular characteristics and within the prevailing market conditions at the measurement date.

  The international financial reporting standard defines fair value as the price that would be received for selling an asset or paying for transferring a liability in an orderly transaction between market participants at the measurement date. For practical purposes, and taking into consideration the above principles, the Bank will consider as fair value all measures of value that most accurately represent market conditions at the valuation date, as well as all measures of value that together represent the price that market participants would or would grant at the measurement date.

- *Supplying Pricing* - The Bank will value the investments under the regulatory standards, basing its valuation on the inputs provided by the Price Provider - INFOVALMER, which is authorized in accordance with the instructions established in Chapter IV of Title IV of Part III of the Basic Legal Circular of the Superintendence of Finance of Colombia.

- *Criteria for valuation of investments* - valuation is carried out according to regulatory models established for investments; based on the valuation inputs provided by the price supplier and following the valuation guidelines given in chapters I and XVIII of the Basic Accounting and Financial Circular Letter. Investments are classified into negotiable investments, held-to-maturity, or investments available for sale. Marketable investments and investments available for sale are classified into debt securities or equity securities.

  In general, it applies to any type of asset that may be part of the investment portfolio. The way in which different types of investment are classified, valued and accounted for is disclosed:

Classification	Characteristics	Valuation	Accounting
Negotiables	Portfolio to manage investments in fixed income and variable income debt securities with the objective of obtaining profits from fluctuations in the market value and in the purchase and sale of these securities.	The valuation of negotiable securities is done daily. The prices determined by the price vendor INFOVALMER are used for valuation. In cases where there is no fair value determined, for the valuation day, the valuation must be made exponentially from the internal return rate. The fair market exchange value or price of the respective security should be calculated by adding the present value of future cash flows for income and capital. In the case of securities traded abroad, when the price vendor designated as the official price provider for the corresponding segment does not have a valuation methodology for these investments, the dirty IDB price published by an information supply platform at 4:00 p.m., Colombian official time, is used as an alternative source of information.	Accounting must be done to the following accounts Investments at Fair Value Through Profit or Loss" from the Single Catalogue of Financial Information for Supervisory Purposes (CUIF). The difference between the current fair value and the immediately preceding fair value is recorded as goodwill or negative goodwill and its balancing entry affects the results for the period. This procedure is performed daily.
To keep until expiration	Securities and, in general, any type of investment for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to hold them until the expiration of their maturity or redemption period. Liquidity operations may not be made on these investments, as well as	Exponentially based on the internal return rate calculated at the time of purchase, based on a 365-day year. This procedure is performed daily.	Accounting must be performed in the "Amortized Cost" Investment accounts of the Single Catalogue of Financial Information for Supervision Purposes (CUIF). Present value is recorded as an investment goodwill and its offsetting entry is recorded in the income statement for the period.

Classification	Characteristics	Valuation	Accounting
	money market operations (simultaneous repurchase agreements or repo or temporary transfer of securities), except in the case of forced or obligatory investments subscribed in the primary market and provided that the counterparty of the operation is the Banco de la República, the General Directorate of Public Credit and the National Treasury or the entities supervised by the Superintendence of Finance of Colombia. They may also be provided as collateral in a central counterparty risk clearing house to support the performance of transactions accepted by it for clearing and settlement and/or as collateral for money market operations.		The uncollected receivable returns are recorded as an investment goodwill. And their collection is accounted for as a lesser value of the same. This procedure is performed daily.
Available for sale – debt securities	Securities that are not classified as negotiable investments or held-to-maturity. In accordance with the business model, this portfolio manages fixed-income investments with the aim of obtaining contractual flows and making sales when circumstances so require. Securities classified as available-for-sale investments may be delivered as collateral in a central counterparty risk clearing house to support the performance of transactions accepted by the latter for clearing and settlement. With these investments,	They use the prices determined by the price vendor INFOVALMER. In cases where there are no fair exchange prices for the valuation day, the valuation should be made exponentially based on the internal return rate. This procedure is performed daily.	Accounting must be performed in the investment accounts at "Fair Value through Other Comprehensive Income (ORI)" of the Single Catalogue of Financial Information for Supervisory Purposes (CUIF). The difference between the present value of the valuation day and the immediately preceding one (calculated from the Internal Return rate, calculated on the date of purchase based on a year of 365 days) is recorded as a greater or lesser value of the investment with a credit or charge to income statement. The difference between the market value and the present

Classification	Characteristics	Valuation	Accounting
	money market operations (simultaneous repurchase agreements or repo transactions or temporary transfer of securities) can be carried out and delivered as collateral for these types of operations.		value is recorded in the unrealized gains or losses (ORI) account. This procedure is performed daily.
Available for sale – participative titles	This category includes investments in subsidiaries, affiliates, associates, equity interests in private equity funds and joint ventures that give the Bank joint ownership of the issuer.	In accordance with Article 35 of Law 222 of 1995, investments in subsidiaries must be accounted for in the books of the parent or controlling company using the equity method in the separate financial statements. Where the standards of the Commercial Code or other legal provisions do not provide for the accounting treatment of investments in subsidiaries, affiliates, associates and interests in joint ventures, they must comply with IAS 27, IAS 28 and IAS 11, as applicable.	The effect of the valuation of the investment corresponding to the investor is recorded in the respective unrealized gains or losses (ORI) account, with a charge or credit to the investment. Dividends distributed in kind or in cash must be recorded as income, adjusting the corresponding unrealized gains or losses account (maximum up to their accumulated value) and, if necessary, also the value of the investment in the amount of the surplus over that account.

- *Equity investments with changes in Other Comprehensive Income (ORI)* - The Bank values these investments by increasing or decreasing the acquisition cost by the investor's percentage interest in subsequent variations in the equity of the respective issuer. For this purpose, the variation in the issuer's equity is calculated based on the certified financial statements as of November 30 of each year.

- *Investments in equity securities in trust rights* - The Bank values these investments with the information provided by the respective management company INFOVALMER (value of the unit).

- *Reclassification of investments* - Investments may be reclassified in accordance with the following provisions:

  a. *From investments to Held-to-maturity to negotiable investments* – There is grounds for reclassification when any of the following circumstances occur:

     - Significant deterioration in the conditions of the issuer, its parent, subordinates or related parties.

- Changes in regulation that prevent the maintenance of the investment.

- Merger processes involving the reclassification or realization of the investment, with the purpose of maintaining the previous interest rate risk position, or to adjust to the credit risk policy previously established by the resulting entity.

- Other unforeseen events, previous authorization of the Superintendence of Finance of Colombia.

b. *From investments available for sale to negotiable investments or to investments to be held to maturity* - There is grounds for reclassification when:

  - The composition of the significant activities of the business is redefined, due to circumstances such as variations in the economic cycle or market niche in which the Bank is operating or in its risk appetite;

  - The assumptions of adjustment in the management of investments that have been defined in the business model previously materialize;

  - The investor loses his or her status as parent or controlling shareholder, and such circumstance also implies the decision to sell the investment in the short term as of that date;

  - Significant deterioration in the conditions of the issuer, its parent, its subordinates or its related parties;

  - Changes in the regulation that prevent the maintenance of the investment;

  - Merger processes involving the reclassification or realization of the investment, with the purpose of maintaining the previous interest rate risk position or to adjust to the credit risk policy previously established by the resulting entity.

Where available-for-sale investments are reclassified to marketable investments, the result of the reclassification of investments shall be recognized and retained in the ORI as unrealized gains or losses until the related investment is sold. Securities or securities that are reclassified to being part of negotiable investments may not be reclassified again. As of the reclassification date, it must be valuated at the internal return rate of the day before the reclassification.

When available-for-sale investments are reclassified to held-to-maturity investments, unrealized gains or losses recognized in ORIs must be reversed against the carrying amount of the investment, since the effect of the fair value will no longer be realized, given the decision to reclassify to the held-to-maturity category. The investment is recorded as if it had always been classified as held-to-maturity.

- *Investment repurchase rights* - These are restricted investments that represent collateral for investment repurchase agreements. The Bank retains the economic rights and economic benefits associated with the security and retains all risks associated with it, although it transfers legal ownership of the security when conducting a money market transaction. These securities continue to be measured daily and accounted for in the statement of financial position or income statement in accordance with the methodology and procedure applicable to investments classified as negotiable, held-to-maturity and available for sale in accordance with the category in which they are located prior to the acquisition of the repurchase agreement.

- *Investments delivered as collateral* - This refers to investments in debt securities or securities that are delivered as collateral to support the performance of transactions accepted by a central counterparty risk clearing and settlement house. These securities are valued daily and accounted for in the statement of financial position and income statement, in accordance with the methodology and procedure applicable to the category in which they were classified before they were delivered as collateral.

- *Impairment or losses due to credit risk rating* - The price of marketable or available-for-sale investments for which there are no fair exchange prices on the valuation day, and the price of investments classified as held-to-maturity investments must be adjusted at each valuation date, based on the credit risk rating, in accordance with the following criteria:

  - The rating of the issuer or the security in question, if any.

  - Objective evidence that an impairment loss has been incurred or could be incurred on these assets. This criterion is applicable even to record a greater impairment than that resulting from simply taking the rating of the issuer and/or the security, if so required based on the evidence.

  The amount of the impairment loss must always be recognized in the income statement for the period, regardless of whether the respective investment has any amount recorded in Other Comprehensive Income, except for public debt securities issued by Banco de la República.

- *Securities and/or securities of unrated issuers or issues* - Securities and/or securities that do not have an external rating or are issued by unrated entities will be rated as such:

Category	Risk	Characteristics	Provisions
A	Normal	They comply with the terms agreed upon in the security or title and have an adequate capacity to pay principal and interest.	Not proceeding.
B	Acceptable	Corresponds to issues that present uncertainty factors that could affect the ability to continue to adequately service the debt. Also, their financial statements and other available information have weaknesses that can affect	For Debt securities, the value for which they are recorded cannot exceed eighty percent (80%) of the net nominal value of the amortizations made up to the valuation date. For participative securities, the net value of provisions for credit risk (cost less provision) for which

Category	Risk	Characteristics	Provisions
		their financial situation.	they are recorded cannot exceed eighty percent (80%) of the acquisition cost.
C	Appreciable	This corresponds to issues with a high or medium probability of default in the timely payment of capital and interest. Likewise, their financial statements and other available information show deficiencies in their financial situation that compromise the recovery of the investment.	For Debt securities, the value for which they are recorded cannot exceed sixty percent (60%) of their net nominal value of the amortizations made up to the valuation date. For participative securities, the net value of provisions for credit risk (cost less provision) for which they are accounted for may not exceed sixty percent (60%) of the acquisition cost.
D	Significant	This corresponds to those issues that present non-compliance in the terms agreed in the title, as well as, their financial statements and other available information present accentuated deficiencies in their financial situation.	For Debt securities, the value for which they are recorded cannot exceed forty percent (40%) of their net nominal value of the amortizations made up to the valuation date. For participative securities, the net value of provisions for credit risk (cost less provision) for which they are recorded may not exceed forty percent (40%) of the acquisition cost.
E	Uncollectible	Issuers that according to their financial statements and other available information are considered uncollectible.	The value of these investments is fully provisioned.

- *Securities and/or issued securities or from issuers that have external ratings* - Debt securities or securities that have one or more ratings and debt securities or securities that are rated by external rating agencies recognized by the Superintendence of Finance of Colombia may not be recorded for an amount that exceeds the following percentages of their net nominal value of amortizations made upon the valuation date.

  To estimate the provisions for time deposits, the following rating of the issuer is taken as follows:

Long term Classification	Maximum value %	Short term rating	Maximum Value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 y 6	Zero (0)
DD,EE	Zero (0)	5 y 6	Zero (0)

If the provisions on investments classified as held-to-maturity, and for which a fair value can be established are higher than those estimated in the preceding rule, the latter shall be applied.

This provision corresponds to the difference between the carrying amount of the investment and the fair value, if lower. If the investment or issuer has ratings from more than one rating agency, the lowest rating must be considered, if they were issued within the last three (3) months, or the most recent, if there is a longer period between one rating and another.

f. *Loan Portfolio and leasing operations* – The provision of criteria applicable to the presentation, classification, evaluation and valuation of the loan portfolio, credit risk, restructuring, portfolio provisioning, portfolio write-offs, among others, shall be recognized according to the policies and practices promulgated by the Superintendence of Finance of Colombia. Loans granted under the different authorized modalities are recognized in the portfolio, in accordance with the provisions of Chapter II of the Basic Accounting and Financial Circular Letter (CBCF) of the Superintendence of Finance of Colombia. The resources used in granting loans come from own resources, from the public in the form of deposits and other external and internal financing sources. Loans are recorded at disbursement value except for the commercial discounting portfolio, which is recorded at discount.

Classification of the credit portfolio - The classification of the credit portfolio at the Bank includes the following modalities:

•*Commercial* - granted to natural or legal persons for the development of organized economic activities other than microcredits. The commercial portfolio for the provision estimation models is divided into a commercial portfolio under the rediscount mechanism and a direct commercial portfolio.

The rediscount portfolio is a traditional mechanism for the placement of funds from second-tier banks. It consists of the repurchase or discount of securities from entities in the Colombian financial system that have made the initial discount of the security to natural or legal persons. At the Bank, it only applies to the financing of business activities. At present, promissory notes that have been signed (legal or natural persons with productive activity) are discounted before an eligible financial institution, with a current quota available at the Bank, which in turn is assigned through endorsements.

The direct commercial portfolio is a line of credit in Colombian or foreign currency provided to Colombian financial intermediaries with a current credit limit and available at the Bank, so that they, in turn, may carry out active credit operations, in legal currency that are expressly authorized by Colombian legislation and are aimed at financing operations with the business sector.

The Commercial Discount Portfolio is a financial instrument that consists of purchasing at a discount and without recourse, (eliminating the seller's liability to pay in the event of default by the bill acceptor) up to a percentage of the amount of securities originated in domestic commercial transactions, for the sale of goods or services on credit, covered by an insurance policy, issued by an eligible insurance company duly authorized by the Bank.

•*Consumption and Housing -* which are exclusively due to loans to officials and former officials, for the latter granted prior to their retirement.

Evaluation and rating of the Credit Portfolio - With the issuance of External Circular Letter 032 of November 2014 of the Superintendence of Finance of Colombia, the rediscount banks, for the rating and generation of provisions, must develop internal methodologies for rediscount operations. In the case of direct commercial credit, consumer credit, housing and microcredit operations, they must adopt the reference models of the Superintendence. The effects of External Circular Letter 032 of 2014, in terms of rating and provisions, began to be reflected in the financial statements as of December 2015.

According to External Circular Letter 032 of 2014, as of December 2015, operations are rated based on the methodologies mentioned above and according to the type of portfolio in each of the following risk categories:

Direct Commercial Portfolio - Commercial portfolio contracts must be classified into one of the following credit risk categories: AA, A, BB, B, CC, and Default.

For the assignment of ratings, default and risk profile criteria are included.

Rediscount commercial portfolio - Rediscount transactions should be classified for the sole purpose of calculating provisions in the following categories: A1, A2, A3, A4 or A5, with the A5 having the highest risk profile.

For the assignment of ratings, default criteria and risk profile criteria are included.

Consumer Portfolio - The Bank's consumer portfolio is classified into the following segments:

- General – Automobile: loans granted for the acquisition of automobiles

- General – Other: loans granted for the acquisition of consumer goods other than cars.

The rating of the consumer portfolio by risk category varies according to the aforementioned segments and is determined by a score known as "Z", which takes into account the following variables: time of default at the time of calculating the provision, maximum time of default recorded in the last three years, time of default in the last three quarterly periods, whether or not there are other loans active in the Bank and type of collateral: suitable, pledge, mortgage.

In accordance with the "Z" score calculated in the previous point, the rating by credit risk categories is assigned from the following table, considering that the lower the score, the better the rating by risk category.

Rating to classification	General Automobile	General - other
AA	0.2484	0.3767
A	0.6842	0.8205
BB	0.81507	0.89
B	0.94941	0.9971
CC	1	1

Provisions - Beginning in December 2015, and as a result of the adoption of External Circular Letter 032 of 2014 of the Superintendence of Finance of Colombia, the Bank modified the provisions scheme, which was based on the guidelines established in Chapter II of External Circular Letter 100 of 1995 of the Superintendence of Finance of Colombia, for the administration of credit risk for each of the portfolios, in accordance with the provisions established in the following annexes of the mentioned chapter:

- Housing Portfolio – General regime for the evaluation, rating and provisioning of credit portfolios (Annex 1)
- Direct commercial portfolio - Reference model for commercial portfolio - MRC (Annex 3)
- Consumption portfolio - Reference model of consumption portfolio - MRCO (Annex 5)
- Rediscount commercial portfolio - Own methodology. Individual provisions of the entities authorized to carry out rediscount operations. (Annex 6)

For the estimation of provisions of the commercial portfolio (direct and rediscount) and the consumer portfolio, the models incorporate some common aspects that are mentioned below:

Individual pro-cyclical component and individual counter-cyclical component: The individual provision is established as the sum of two individual components:

Individual pro-cyclical component (IPC): This corresponds to the portion of the individual loan portfolio provision that reflects the credit risk of each debtor at present.

Individual counter-cyclical component (CIC): This corresponds to the portion of the individual loan portfolio provision that reflects possible changes in the credit risk of debtors at times when the impairment of such assets increases. This portion is created to reduce the impact on the income statement when such a situation arises.

The individual pro-cyclical component (IPC) and the individual counter-cyclical component (IPC) require the probability of default matrices A and B. For the direct commercial portfolio that adopts the reference model of the commercial portfolio of the Superintendence of Finance, the matrices defined in Annex 3 are used; for the commercial portfolio of rediscount, the matrices defined in the Bank's own methodology are used, which are shown below; and for the consumption portfolio, the matrices defined in Annex 5 of External Circular Letter 100 of 1995 are used.

Definition of cumulative or non-cumulative phase: In order to determine the methodology to be applied for the calculation of the pro-cyclical and counter-cyclical components, the Bank evaluates monthly, the indicators established by the Superintendence of Finance of Colombia (related to impairment, efficiency, loan portfolio growth and the financial situation of the entity), which once calculated, will determine the methodology for calculating the components of the individual loan portfolio provisions. In accordance with these indicators, the Bank applied the cumulative calculation methodology as of December 31, 2017.

Expected loss model: The estimate of the expected loss or individual provision under the reference models (direct commercial portfolio and consumption portfolio) and under the own methodology (rediscount commercial portfolio), is determined by the following formula:

EXPECTED LOSS = [Likelihood of default] x [Exposure of the asset at the time of default] x [Loss due to default]

Probability of Default (PD): Corresponds to the probability that within the twelve (12) months following the date of the financial statements' closing, the debtors of a given portfolio will default (in accordance with the cases described in literal b of numeral 1.3.3.3.1 of Chapter II, External Circular Letter 100 of 1995). The probability of default is established according to the matrices below.

Exposure of assets at the time of default: This corresponds to the value exposed to the debtor, made up of the current balance of principal, interest and other accounts receivable.

Loss due to default (PDI): this is defined as the economic deterioration that the Bank would incur if any of the situations of default referred to in paragraph b of numeral 1.3.3.3.1 of Chapter II, External Circular Letter 100 of 1995 were to materialize. The PDI for qualified debtors in the default category will gradually increase according to the days after classification in that category.

In accordance with the foregoing, the application of the models and constitution of provisions are carried out as follows:

Direct commercial portfolio - For the direct commercial loan portfolio, the methodology of the Superintendence of Finance of Colombia is applied (Chapter II of the Basic Accounting and Financial Circular Letter, Annex 3). The calculation is made considering the following criteria:

Classification: The model requires that debtors be classified by asset level according to the following table:

Classification of the commercial portfolio by level of assets

Company size	Level of Assets
Large Companies	More than 15.000 SMMLV
Medium Companies	Between 5.000 and 15.000 SMMLV
Small Companies	Less than 5.000 SMMLV

Probability of Default (PI): taken from the reference model of the Superintendence of Finance of Colombia:

	Large Companies		Medium Companies		Small Companies		Individuals	
Rating	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**
AA	1,53%	2,19%	1,51%	4,19%	4,18%	7,52%	5,27%	8,22%
A	2,24%	3,54%	2,40%	6,32%	5,30%	8,64%	6,39%	9,41%
BB	9,55%	14,13%	11,65%	18,49%	18,56%	20,26%	18,72%	22,36%
B	12,24%	15,22%	14,64%	21,45%	22,73%	24,15%	22,00%	25,81%
CC	19,77%	23,35%	23,09%	26,70%	32,50%	33,57%	32,21%	37,01%
Default	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Loss due to Default (PDI): The PDI by type of guarantee is as follows:

Type of Guarantee	P.D.I	Days after default	New PDI	Days after default	New PDI
Subordinated Loans	75%	270	90%	540	100%
Eligible Financial Collateral	0-12%	-	-	-	-
Commercial and residential real estate	40%	540	70%	1080	100%
Leased real estate	35%	540	70%	1080	100%
Leased goods other tan real estate	45%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Other suitable guarantees	50%	360	80%	720	100%
Non-suitable guarantees	55%	270	70%	540	100%
Without Guarantee	55%	210	80%	420	100%

Rediscount commercial portfolio - For the rediscount commercial loan portfolio, in accordance with Circular 032 of 2014, the Bank designed its own methodology for calculating provisions. This methodology is based on the general guidelines of the commercial portfolio reference model established by SFC, and both the probability of default and the probability of loss due to default are based on the Bank's customer historical data. The probability of default incorporates an additional premium derived from financial system risk.

Probability of Default (PD): Assigned according to the rating and percentages in the following table; these percentages are dynamic:

Internal Rating	Rating Annex 6	Matrix A	Matrix B
1	A1	1.93%	3.03%
2+	A2	2.71%	4.27%
2	A2	3.61%	5.65%
3+	A3	4.93%	7.57%
3	A3	6.07%	9.84%
4	A3	9.27%	15.16%
5	A4	14.22%	24.27%

Internal Rating	Rating Annex 6	Matrix A	Matrix B
6- Default	A5	100,00%	100,00%

Loss due to default (PDI): corresponds to 40% for all rediscount operations and was obtained by taking a conservative approach to the history of portfolio recoveries recorded at the Bank.

Consumer Portfolio:

Probability of Default (PD): assigned according to the risk and segment rating of each debtor according to the following table:

	General – Automobile		General – Other	
Rating	Matrix A	Matrix B	Matrix A	Matrix B
AA	0,97%	2,75%	2,10%	3,88%
A	3,12%	4,91%	3,88%	5,67%
BB	7,48%	16,53%	12,68%	21,72%
B	15,76%	24,80%	14,16%	23,20%
CC	31,01%	44,84%	22,57%	36,40%
Default	100,00%	100,00%	100,00%	100,00%

Loss due to Default (PDI): The PDI by type of guarantee is as follows:

Type of Guarantee	P.D.I.	Days after Default	New PDI	Days after Default	New PDI
Subordinated Loans	0-12%	-	-	-	-
Eligible Financial Collateral	40%	360	70%	720	100%
Commercial and residential real estate	35%	360	70%	720	100%
Leased real estate	45%	270	70%	540	100%
Leased goods other than real estate	45%	360	80%	720	100%
Collection rights	50%	270	70%	540	100%
Other suitable guarantees	60%	210	70%	420	100%
Non-suitable guarantees	75%	30	85%	90	100%

At the General Shareholders' Meeting held in March 2017, the transfer of the amount of the general provision (generated in 2015 by the excess of commercial portfolio provision resulting from the application of Circular 32 of 2014) to an additional individual provision was approved, which is allocated to certain debtors in accordance with a methodology approved by the Bank's Board of Directors. The additional individual provision may be used to cover greater individual regulatory provision requirements, where required. Therefore, the amount currently recorded in the general provision corresponds exclusively to housing loans.

Portfolio Write-offs - The loan portfolio that, in the opinion of the Administration is considered irrecoverable or of remote or uncertain recovery, after having exhausted the corresponding collection actions, in accordance with the concepts issued by the lawyers and collection firms, previously approved by the Board of Directors, is subject to write-off.

In all cases of written-off loans, the Bank will continue to take the necessary steps to recover the loans, showing due diligence, until an accounting adjustment is made.

All requests for portfolio write-offs for presentation to the Board of Directors must be accompanied by the concepts of the following Bank offices:

- Report and recommendation from the Vice President of Operations and Technology, indicating the background of the obligation, the collection procedures that were carried out to obtain the recovery of the credit and the impact on the Bank's income statement.

- Concept of the Legal Department on the legal inadmissibility advanced for the recovery of the obligation.

- Concept of the Risk Vice-Presidency by means of which it presents the debtor's financial report and the risk levels in accordance with the economic indicators, according to the internal methodology applied to analyze the opportunity to attend the debt and the degree of recoverability of said portfolio.

Effect of appropriate guarantees on the constitution of individual provisions - As of December 2015, for the direct commercial, rediscount commercial and consumer portfolios, the models incorporate the effect of guarantees. For the calculation of the housing provisions, only suitable guarantees are considered, which are considered for 100% of their value.

g. *Financial derivatives* - A derivative is a financial instrument or other contract whose value changes over time in response to changes in a particular underlying variable (a specified interest rate, the price of a financial instrument, a foreign exchange rate, etc.); it does not require a net initial investment or requires a lower investment than would be required for other types of contracts where a similar response to changes in market conditions could be expected and is settled at a future date.

During its operations, the Bank negotiates financial instruments for trading purposes such as forward contracts, future contracts and cash transactions and future contracts. For hedging purposes, Derivative transactions are recognized at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income, as appropriate, unless the financial instrument is designated as a hedge.

The derivative financial instrument is valued considering the counterparty credit risk (CVA) or the entity's own credit risk (DVA). The difference in the calculation of the derivative financial instrument under risk-free assumptions and the derivative financial instrument adjusted for credit risk will result in the adjustment by CVA or DVA, as applicable.

To incorporate credit risk into the methodology used to measure derivative instruments, the premise of affecting the discount rate was applied, within the valuation of such instruments at the corresponding closing date.

Hedging ratio - The hedging strategy is accounted for as follows: the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the ORI and the ineffective portion is recognized in the income statement for the period. Gains or losses on the hedging instrument accumulated in equity shall be reclassified to the income statement at the time of disposal of all or part of the foreign operation.

The Bank documents at the inception of the transaction the relationship between the hedging instrument and the hedged loss, as well as the risk management objective and strategy for undertaking the hedge. The Bank also documents its assessment both at the inception date of the transaction and on a recurring basis that the hedging relationship is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

The Bank requires that all transactions involving the purchase or sale of financial assets or derivative contracts be accounted for on the trade date. Credit risk will be involved in the valuation of derivative financial instruments, such as an adjustment to the period-end valuation. The Bank will not include transaction costs in the valuation of the derivative but will only reflect the price at which it can be sold in the main market.

h. *Embedded Derivatives* – The Bank shall measure the existence of an embedded derivative in contracts containing special clauses. They will need to be identified, separated, measured and recognized. The Bank will evaluate the existence of judgments that reflect the existence of an embedded derivative in the characteristics and risks of the host contract. This evaluation shall not be performed again unless there has been a change in the terms of the contract that significantly modifies the cash flows that would arise under the contract, in which case, a new evaluation is required. Embedded derivatives shall be recognized at fair value.

An embedded derivative is separated from the host contract and treated as a derivative for accounting purposes, while the host contract is measured and recognized as a financial instrument; if separability of the embedded derivative from the host contract is impracticable, it is essential to measure the entire combined contract as a financial asset or financial liability held for trading.

i. *Non-current assets held for sale* - Non-current assets and disposal groups are classified as held for sale if their carrying amount is recoverable through a sale transaction and not through continuing use.

This condition is considered met only when the Bank has a formal plan for its sale which is highly probable and the asset (or group of assets for disposal) is available for immediate sale in its current condition, subject only to the terms that are customary and adapted for the sale of those assets (or group of assets for disposal). Non-current assets held for sale shall be held for a maximum of one year from their classification date.

They shall be recognized at the lower of carrying amount or fair value minus sale costs. If the asset is acquired as part of a business combination, it is measured at fair value less costs to sell. Cost of sales includes only incremental costs, directly attributable, except for finance costs and income tax expense. The subsequent measurement of non-current assets held for sale shall be given at the initial recognition value, less all costs to sell that arose but were not allocated to the initial measurement, and subsequent impairment losses.

In the subsequent measurement the amount of non-current assets held for sale will be affected by the measurement of the calculation of the applicable provision according to the methods determined by the Superintendence of Finance of Colombia, considering the exception mentioned in External Circular Letter 036 of 2014.

Non-current assets are reclassified from held for sale to held for use if they no longer meet the criteria to be classified as held for sale. In the case of fixed assets that had previously been transferred to the available-for-sale category and that require reclassification to held for use again, the asset is measured again at the lower of its recoverable amount and the carrying amount that would have been recognized if the asset had never been classified as held for sale.

Goods received in lieu of payment - Goods received in lieu of payment are assets from which it is expected that their amount will be recovered through their sale and not through their use. All transfers of real and personal property are recognized under this category unless they are intended for use or restrictions on the availability of the asset are identified, in which case their classification as other assets is assessed.

For the calculation of provisions, the Bank, as a rediscount entity, follows the general rules established by the Superintendence of Finance of Colombia, in accordance with the provisions of Chapter III of External Circular Letter 100 of 1995 of this entity.

For each dation in payment it receives, the Bank immediately constitutes 100% of the provision.

Rules on the legal period for sale - Goods received in lieu of payment must be sold within two years of the date of acquisition; however, they may be recorded as fixed assets, if they are necessary for the ordinary course of business of the business and the limits on investment in assets are met. An extension may be requested from the Superintendence of Finance for its disposal, which must be submitted in any case prior to the expiration of the established legal term.

The respective application must show that although the management procedures for the disposal have been followed diligently, it has not been possible to sell. In any event, the extension of the term may in no case exceed two years from the date of expiry of the initial legal term, during which period work must also continue the realization of these unproductive assets.

Art and cultural goods - The Bank, in its initial measurement, establishes the following treatment for art and cultural goods:

a. If the good was purchased by the Bank it is measured at cost;

b. if the asset was donated to the Bank, it is carried at market value, if an active market exists, or at replacement value if applicable;

c. if it is not possible to obtain its fair value reliably, its cost is zero

Art and cultural goods, in their subsequent recognition, must be measured at cost, less any impairment losses.

j. *Property and equipment* - An item of property and equipment is recorded if it is probable that the future economic benefits associated with the asset will flow to the Bank and the cost of the item can be measured reliably. As described in the latter criterion, it will be necessary to identify, for initial recognition, all costs of property and equipment at the time they are incurred.

Initial measurement: The initial recognition of property and equipment is at cost, which is the cash equivalent at the date of recognition, plus attributable costs.

Also included are import duties, non-recoverable indirect taxes, trade deductions and rebates, estimates related to the costs of dismantling and removing assets, including: rehabilitation of the place where the asset is located, the obligation incurred by the Bank, either when it acquires the asset or as a result of having used the asset for purposes other than the Bank's productive operation.

In the case of capitalization of improvements, costs will be required to increase useful life, increase capacity, or increase the value of the asset. Repairs and/or maintenance to property and equipment that only repair or maintain the asset, and therefore maintain the condition in terms of, for example, the useful life or expected future economic benefits from the use of the same item, shall be recognized as an expense in the period in which they are incurred, i.e. they have a net effect on the income statement.

Start-up costs cannot be capitalized as part of the cost of property and equipment. Unless it is identified that there is a need to incur these costs to return the asset to normal operating conditions, for which purpose and in all cases, the corresponding analysis will be required prior to recognition. 9

Subsequent measurement: After recognition as an asset, an item of property and equipment shall be measured as follows:

Group Description	**Method**
Buildings	Revalued Model
Land	Revalued Model
Assets	Cost Model
Computer Equipment	Cost Model
Network and communication equipment	Cost Model
Machinery and Equipment	Cost Model
Furniture	Cost Model
Transport Vehicles	Cost Model
Goods Delivered in Commodate	Cost Model
Art and cultural assets	Cost Model

Depreciation - Depreciation of an asset will begin in the month in which the asset is at the location and in the condition necessary to operate in the way intended by management.

The depreciation charge for each period shall be recognized in the income statement of the period, using the straight-line method, based on the estimated useful lives which the Bank considered will faithfully represent the time in which a classified item is expected to be classified in this group of assets, offsetting an economic benefit.

The actual useful life corresponds to the period during which the asset is expected to be used. The accounting policy describes residual value as "the estimated value that an entity would currently be able to obtain from the liquidation of an item, after deducting the estimated costs of such disposal, if the asset had already reached the age and other condition expected at the end of its useful life".

The residual value and useful life of an item of property and equipment will be reviewed at least annually and if expectations differ from previous estimates, the changes will be accounted for as a change in accounting estimates prospectively.

In accordance with the appraisal carried out in December 2017, it was determined that the useful life of the floors where the Bank's offices are located (based on the International Valuation Standards) is 100 years and the remaining useful life at the date of the appraisal is 62 years.

The useful lives and residual values determined by the Bank are:

Group Description	Residual %	Useful Life	
Buildings	15%	100 Years	
Assets	10%	5 Years	12 Years
Computer Equipment	10%	2 Years	5 Years
Network and communication equipment	10%	2 Years	6 Years
Machinery and Equipment	10%	6 Years	14 Years
Furniture	10%	5 Years	12 Years
Transport Vehicles	10%	10 Years	20 Years
Land	0%	0 Years	0 Years
Goods Delivered in Commodate	0%	0 Years	0 Years
Art and cultural assets	0%	0 Years	0 Years

For movable assets whose acquisition value is equal to or less than (50 UVT), they are depreciated at the latest in the month following the month in which they are acquired, regardless of their useful life.

Disposal of property and equipment - The carrying value of an item of property and equipment is derecognized when no further associated future economic benefits are expected and the gains or losses from the disposition are recognized in earnings.

Impairment of property and equipment - Evaluations of the evidence of impairment shall be made once there is an indication of impairment of non-financial or minimum assets at the end of each reporting period. If there is evidence of impairment, the Bank analyzes whether such an impairment exists by comparing the carrying amount of the asset with its recoverable amount (the higher of fair value less costs to sell and value in use of the asset). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted by modifying future depreciation charges in accordance with their remaining useful lives.

k. *Intangible Assets*- The Bank shall record an intangible asset once it is identified: the existence of control, the separability of the asset, and the fact that it is expected to generate a future economic benefit, for its recognition it is essential that it complies with all the characteristics described above.

Initial measurement - Intangible assets are initially measured at cost, however it depends on how the Bank obtained the asset. An intangible asset can be acquired separately as part of a business combination and with the development or generation of the asset internally developed by the Bank.

- The intangible asset acquired in a separate transaction is measured as the sum of the purchase price, including import duties and non-refundable acquisition taxes, after deducting discounts and rebates, and the cost directly attributable to preparing the asset for its intended use. Also, it is probable that a group of complementary intangible assets may be recognized as a single asset, provided that the individual assets have similar useful lives.

- In business combinations, the value of the cost is the fair value at the acquisition date.

- For internally generated intangible assets, only the costs of the asset's development stage are recognized as intangible. Costs incurred in the research phase are recognized as an expense in the period in which they are incurred.

Amortization should be adjusted to allocate the revised carrying amount of the intangible asset, less any residual value, on a systematic basis over its useful life.

Subsequent measurement: In subsequent recognition, intangible assets are amortized on a straight-line basis over their estimated useful lives. The Bank shall evaluate whether the useful life of an intangible asset is defined or indefinite. The defined useful life of an intangible asset is amortized, whereas an intangible asset with an indefinite useful life is not amortized. After considering the determinants of estimating the useful life of an intangible asset, the time measurement that best represents the expected term of use of the asset is taken.

The Bank determines that intangible assets with a defined useful life are amortized based on their estimated useful lives, as follows:

Group Description	Méthod	% Remaining	Useful Life	
Licenses	Cost Model	0%	1 Year	15 Years
Software and applications	Cost Model	0%	1 Year	15 Years

Fiducóldex

Individual cost licenses with a value equal to or less than 50 Tax Value Units (UVT's) will be amortized over the same period in which they were acquired.

An intangible asset is retired on sale or when no future economic benefits are expected from its use or sale. The resulting gain or loss is the difference between the carrying amount and recoverable amount of the intangible asset.

l. Other non-financial assets - There are assets for which it is not possible to find similar recognition and measurement criteria that allow them to be classified within the categories or groups of available financial assets.

m. *Impairment of non-financial assets -* The identification of evidence of impairment should provide sufficient detail of the scenarios that management estimates could or may have impaired the value of the assets and should be presented as a reduction in the carrying amount.

The criteria used to determine impairment indicators must be designed to detail the possible internal or external events that could lead to a loss in the value of the asset or, in the expected economic benefits arising from its disposal, this impairment test must be considered at least once at the end of the accounting period or when the relevant information for decision-making purposes is presented.

An impairment loss arises when the carrying amount of an asset exceeds its recoverable amount. The identification of the impairment value of assets requires that an evaluation of the indications of impairment be considered and carried out by the Bank. At the end of each reporting period, the entities shall evaluate whether there is any indication of impairment of the value of any asset; if such an indication exists, the Bank shall estimate the recoverable amount of the asset.

Indications of impairment may be due to observable internal or external sources of significant changes that result in a significant impairment loss in the carrying amount of non-financial assets. Impairment is considered to be: changes in the legal, economic, technological or market environment in which the asset is operated or in the market for which it is intended, internal reports indicating that the economic performance of the asset is, or will be, worse than expected, changes in market rates or rates of return that may affect the measurement of recoverable amount (eg. Increase in financing costs), evidence of obsolescence or physical impairment of an asset, changes in strategies (e.g. Office closures), significant changes in the market for Bank assets (e.g. Effects of demand, competition, or other economic factors). The signs of deterioration are not limited to those previously observed.

Once an impairment loss is recognized, depreciation or amortization charges on the asset are adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its useful life.

If there is any indication that an asset is impaired, the recoverable amount is estimated for the individual asset. However, if it is not possible to estimate the recoverable amount of the individual asset, the bank determines the recoverable amount of the cash-generating unit to which the asset belongs (the cash-generating unit of the asset).

n. *Financial liabilities-* An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or other financial assets, when it is estimated to be or may be settled within a variable number of the Company's own equity instruments. Financial liabilities are recognized and measured at amortized cost, except for derivatives measured at fair value in accordance with the applicable requirements of IFRS 9.

- *Financial liabilities at amortized cost* - All financial liabilities are classified as measured subsequent to amortized cost using the effective interest method, except for derivative financial instruments that are measured at fair value through profit or loss. The amortized cost of financial liabilities in certificates of deposit at term, subordinated bonds and financial obligations are determined based on the nominal value of the obligation, including interest expense.

- *Financial liabilities at fair value through profit or loss* - In the initial recognition, the inconsistency in the measurement (accounting asymmetry), which could arise when using different measurement criteria, can be eliminated or reduced. The Bank has chosen to design the measurement of values at fair value through profit or loss, considering the availability of the information relating to the valuation of these instruments.

On initial recognition, Bancoldex shall classify issued debt instruments as financial liabilities measured at amortized cost. Additionally, based on a cost/benefit and materiality analysis in accordance with the provisions of the Framework, transaction costs are recognized directly in the income statement in the period in which they are incurred.

In the subsequent measurement, Bancoldex shall measure the issuance of debt instruments at amortized cost, applying the effective interest method.

o. Income taxes - Income tax expense includes current and deferred taxes, and the Bank shall recognize, with certain exceptions, the liabilities or assets arising from the calculation of deferred tax, using the balance sheet method to calculate the amount of a deductible deferred tax for those transactions or recognitions for which an expectation of future taxable income is identified. The accounting valuation to be considered will be the book value, while the tax valuation will be the tax based, the value of which will be represented by the amount at which the different transactions carried out by the Bank would appear in a "hypothetical tax balance sheet", the applicable tax rate must be used, for the period in which the tax is expected to be paid or settled in accordance with current regulations, at the date of issuance of this policy, the provisions of the Colombian tax statute will be applied, which will have a direct bearing on the measurement of the amounts to be calculated for current or deferred tax purposes.

Law 1819 of 2016 eliminated the CREE tax and the CREE tax surcharge for the years 2017 and 2018 and in turn increased the general income tax rate to 34% for 2017 and 33% for the following years creating an income tax surcharge of 6% and 4% for the taxable years 2017 and 2018, respectively, the latter applicable to taxable bases of $800 million and thereafter.

- *Current tax* - Current tax includes the expected tax payable or receivable on the year's taxable income or loss and any adjustments related to prior years. It is measured using the tax rates that have been approved, or whose approval process is practically completed at the balance sheet date, considering the provisions established in Law 1819 of 2016.

- *Deferred tax* – The calculation of deferred tax is based on the assessment of temporary differences, using the balance sheet method. These differences arise from the carrying amount of an asset or liability in the statement of financial position and the tax value of the asset or liability. Current and deferred taxes shall be recognized as income or expense and included in profit or loss. Deferred taxes relating to items recognized outside the income statement shall be recognized outside the income statement and shall be recognized in correlation with the related transaction, either in the statement of comprehensive income or directly in equity.

The criteria used to recognize deferred tax assets arising from the offsetting of unused tax losses and credits are the same as those used to recognize deferred tax assets arising from deductible temporary differences, if the Bank were to maintain a history of recent loss, it will recognize a deferred tax asset arising from unused tax loss or credits only if it has sufficient temporary differences or if there is other convincing evidence that there will be sufficient future taxable profit against which to charge such losses or credits.

- *Wealth tax* - This tax is generated by the possession of wealth (gross equity less current debts) equal to or greater than $1,000 million pesos as of January 1, 2015, 2016 and 2017. The Bank records this tax against operating expenses for the period, at the value of the tax recognized as of January 1 of each year.

p. *Provisions and contingent liabilities* - These are recognized when the Bank*:*

- Has a present obligation because of a past event,
- it is probable that the Bank will have to dispose of resources that incorporate economic benefits to settle the obligation,
- can make a reliable estimate of the value of the obligation.

The amount recognized as a provision should be the best estimate, at the end of the reporting period, of the expenditure required to settle the present obligation. The best estimate of the outlay required to settle the present obligation is the rationally assessed value that an entity would have to pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that date.

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the best available estimate when it is no longer probable that resources embodying economic benefits will flow out of the entity to satisfy the obligation, the provision should be reversed, and the provision should be used to cover only the expenditure for which it was originally recognized. Provisions on legal disputes will be determined based on the probability established by the legal area for each proceeding described in the note on judgments and estimates.

Onerous contracts - a provision is recognized because of the present obligations arising from this type of contract, where unavoidable costs of performance are required, determined by implied obligations that are greater than the expected benefits.

To establish the existence of onerous contracts the Bank assesses the following:

- Has the contract not been executed under normal conditions in accordance with the initial parameters agreed between the parties, from the point of view of compliance with the obligations of the entity carrying out the evaluation?
- Have the market prices of the product or service contracted had significant adverse variations for the entity in the market that could suggest the existence of an onerous contract?

- Has the income of the entity conducting the evaluation related to the contract, directly or indirectly, had or is expected to have a significant decrease or have the costs of its care had a significant increase that may suggest the existence of an onerous contract?

q. *Employee benefits* - Employee benefits comprise all types of benefits provided to employees or to those who depend on or are beneficiaries of employees and may be paid in full. Employee benefits will be classified into short-term benefits, and long-term benefits

   Short-term benefits: Benefits that are expected to be fully settled before the end of the twelve months following the end of the annual reporting period. A liability and an expense are recognized for the effect of contractual obligations acquired with the employee. The liabilities incurred are recognized undiscounted, i.e. at the amount at the measurement date.

   The contractual or constructive obligation of the Entities shall be limited to the recognition of the amount agreed with the employee and shall be calculated based on a reliable estimate of the amounts to be paid; the expense shall be incurred only on the basis of the occurrence of the consideration, since the services rendered by the employees do not increase the amount of the benefits.

   In accordance with Colombian labor legislation, the Bank's various employees are entitled to short-term benefits, such as: salaries, vacations, legal and extralegal bonuses and severance pay and interest on severance payments under Law 50 of 1990. These benefits granted to employees shall be recognized when the requirements of enforceability are met, not only in accordance with the law, but also with respect to those extralegal benefits determined by the Bank and in consideration, however, of conditions such as: type of contract, type and amount of salary, length of service, among other particularities, as stipulated in the entity's internal policies. Therefore, recognition is expected to take place: once the employee expresses his intention to dispose of the benefits, either by the end of the periods determined by law, or in effect of a final settlement of his employment contract.

   Long-term benefits: Long-term benefits are those that will be paid from the twelve months following the end of the period in which they are earned.

r. *Other liabilities* - It mainly records deferred payment letters of credit, deferred payments, income received in advance, the latter corresponding to securities received to meet special agreements for financing loan portfolio operations, with interest rate differential, and liabilities under agreements representing resources received from Ministries, Governments and Municipalities, for financing lines with rate differentials.

s. *Leases* - A type of contract that is typically entered between two parties, where one of the parties (the lessor) is supposed to give the other party (the lessee) the right to use an asset for its own benefit. This means that the latter is obliged to pay the lessor a sum of money for a specified period, as agreed by mutually in the contract.

   Leases are classified according to the very characteristics of the contract, i.e. their identification is based on economic substance over and above the legal form, the classification of a lease is made at the inception of the lease and is not changed during its term, unless the lessee and lessor agree to change the terms of the lease, in which case the classification of the lease must be reassessed, in which case financial leases transfer to the lessee all the risks and rewards of the lease, while operating leases are of a residual nature, i.e. when the circumstances do not exist to qualify a lease as a finance lease, the classification of contracts under finance or operating leases depends on the circumstances of each party and may therefore be qualified differently by the parties.

Operating lease: This is the lease that is exclusively subject to the use of one type of property, and in any case, the rental fee is accounted for in its entirety as an expense, and no value is taken to the asset or liability, since it is limited only to the transfer of the right of use.

Financial leasing: Finance leases, shall recognize as assets the assets acquired under a finance lease, and as liabilities, the obligations associated with the lease, the assets and liabilities shall be recognized at amounts which, at the inception of the lease recognized, are equal to the fair value of the leased asset, if lower than the fair value of the leased asset, they are recognized at the present value of the minimum lease payments, this type of lease gives rise to a finance charge in the income statement for each period corresponding to the agreed interest rate.

t. *Investments in associates:* The Parent company will have investments with significant influence if it holds, directly or indirectly (for example, through subsidiaries), an interest equal to or greater than 20% of the voting power of the investee but less than 50%.

On initial recognition, an investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the investee's profit or loss after the acquisition date.

u. *Revenue recognition* - Revenues are measured at the fair value of the consideration received or receivable and represent amounts receivable for services rendered, net of discounts and taxes.

Entities recognize revenue when:

- The amount of these can be measured reliably
- It is probable that future economic benefits will flow to the Entities.

Dividend and interest income –

Dividends: Investment dividend income is recognized once the rights of shareholders to receive this payment have been established (if it is probable that economic benefits will flow to the company and that ordinary income can be measured reliably).

Interest: Interest income on a financial asset is recognized when it is probable that the Entities will receive the economic benefits associated with the transaction and the amount of income from ordinary activities can be measured reliably. Interest income is recognized on a time basis, with reference to the outstanding principal and the applicable effective interest rate, which is the discount rate that exactly matches the estimated cash flows receivable or payable over the expected life of the financial instrument with the net carrying amount of the financial asset on initial recognition.

v. *Operating segments* - The Bank manages and analyses the entity's performance in terms of financial results by business segment. The factors used to identify the operating segments are based mainly on the financial products that the Bank promotes, considering the nature of the activities carried out, and that contribute to the net interest income.

To comply with the provisions of IFRS 8 - Operating Segments, the Bank has defined the following segments, which are periodically evaluated by the Board of Directors in order to allocate resources and evaluate their profitability.

The products and/or concepts included within each of the segments are:

- Portfolio in pesos: Includes the commercial portfolio in pesos, including discount operations on documents in pesos, portfolio of employees and former employees.

- Foreign currency portfolio: Includes the commercial portfolio in foreign currency including discount transactions on foreign currency documents.

- Investment Portfolio: Includes securities managed by the Bank's Treasury in treasury securities in national or foreign currency and Colombian private debt securities specifically issued by issuers supervised by the Superintendence of Finance of Colombia.

- Treasury Products: Includes operations with derivatives (speculation and hedging), re-expression of own position (exchanges), cash operations and currency trading.

- Commissions: Includes the products of international banking operations, special programs, issue guarantees, guarantees shared with the National Guarantee Fund, microinsurance, securitized portfolios, among others.

- Other products: This includes investments in private equity funds, investments in affiliates and subsidiaries, other assets and new products developed by the Bank whose participation is less than 10% of assets or income.

In accordance with the foregoing, the main factors considered in the Bank's performance management methodology for internal monitoring, the results of which are regularly reviewed by the highest authority, are explained below. The products will be part of the Bank's strategy to promote the business and economic growth of Colombian companies:

I. Loan portfolio

In portfolio performance management and monitoring, Bancóldex's general segmentation policy is based on the methodology for performance-based management defined by the Bank for internal monitoring, which is managed, reviewed and analyzed in different areas and even at different levels of the organization.

The factors considered by the Bank to identify portfolio operating segments are mainly based on the classification by currencies (COP and USD) as the first instance (first layer of the analysis) and on the subsequent grouping of the portfolio lines that the Bank promotes and that contribute to the financial margin.

This differentiation is very important and is considered independently when making pricing and profitability models, since the type of support to companies and the destination depend on the demand for resources in the currency they require, and this in turn, also has an impact on funding for each type of portfolio (COP and USD), since for the COP portfolio the Bank is funded in the capital market and with equity, while for the USD portfolio the Bank is funded mainly with multilateral entities and with the Correspondent Bank.

II. Investments

The Bank focuses its treasury operations on portfolio management with two objectives: the management of liquidity in the medium term and the obtaining of reasonable profitability and profits through the negotiation of financial assets, within the framework of the risk guidelines established by the Board of Directors.

III. Treasury products

This segment includes products managed by the Bank's treasury other than its fixed-income investment portfolio. For derivative products, the Bank's Treasury Department may carry out derivative transactions to hedge the financial risks associated with its balance sheet structure, to offer hedging to third parties or as part of its trading strategy, in accordance with established risk parameters and limits. Also included are the foreign exchange results identifying the spot or currency trading operations and the results generated by the Bank's own position.

IV. Commissions

This segment includes all international banking transaction fees, issue guarantees, and other fees charged and paid that do not correspond to the other business segments.

V. Others

This category groups together all those items whose generation of income and expenses are not particularly identified within the policies of the Bank's main margin generation segments.

4. USE OF ESTIMATES AND JUDGEMENTS

For the preparation of these consolidated financial statements, the management of the entities provides criteria, judgements and estimates, in accordance with the understanding and applicability of the technical regulatory framework for the preparation of financial information. In applying accounting policies, different types of estimates and judgments were used. Management made these value judgments based on the analysis of assumptions that were eloquently based on historical experience and factors considered relevant in determining the carrying amounts of certain assets and liabilities that are not clear and therefore required additional effort for their analysis and interpretation. The detail of the judgments and estimates significant to the presentation of the current financial statements is as follows:

Judgments - The preparation of consolidated financial statements in accordance with IFRS required judgments on the application of the accounting policies issued by the entities, due to their significant effect on the amounts recognized in the consolidated financial statements, the entities shall disclose the judgments applied that differ from those referred to in the estimates made when applying the entity's accounting policies.

The information about significant professional judgments and key sources of estimation uncertainty are useful in assessing the financial situation. The critical judgments made in applying accounting policies that have a significant effect on the consolidated financial statements are described below:

- ***Classification of assets and liabilities -*** The designation of assets and liabilities was made in accordance with the business model of each of the financial instruments, where it was determined that the financial assets are classified in the categories of marketable securities classified as measures at fair value through profit or loss, available for sale classified as measures at fair value with changes in other comprehensive income, or to be held until maturity classified as measures at amortized cost. Financial liabilities are classified in the fair value and amortized cost categories.

- ***Estimates -*** Estimates originated from consideration of complex or subjective transactions, often applied to the assessment of issues that are inherently uncertain, so that results can vary between these and other estimates. The estimates are reviewed regularly and, if any correction is made to the estimates described, the Bank shall make the necessary modifications prospectively, detailing their effect on the disclosure of each group or element of the financial statements.

Assumptions and uncertainties in estimates - Disclosures about assumptions and other key sources of uncertainty in the estimates used as of the date of presentation of the current consolidated financial statements are made for indicating the most significant judgements that will enable users of the financial statements to better understand how accounting policies are applied.

These key assumptions and other sources of estimation uncertainty relate to estimates that provide the most reliable and understandable information presented in the consolidated financial statements. The following are judgments relating to the fair value of financial instruments, credit provisions, income taxes, employee benefits and provisions.

a. *Fair value* - The fair value of an asset or liability is the estimated amount of consideration that would be agreed to by two parties in full exercise of their powers, willing and freely, not in a forced sale or liquidation. For practical purposes, and under the above definition, the Bank shall consider as fair value all measures of value that most accurately represent market conditions at the valuation date, as well as all measures of value that together represent the price that market participants would grant at the measurement date. See Note 6

b. *Employee benefits* - In accordance with IAS 19 Employee benefits, for accounting recognition purposes, all forms of consideration granted by the Bank in exchange for employee services are divided into two classes:

i) *Short-term benefits* - In accordance with Colombian labor regulations, such benefits correspond to severance pay, interest on severance pay, vacation premium, vacation leave, legal and extralegal premiums, and assistance and parafiscal contributions to state entities that are amortized within 12 months following disbursement. These benefits are accrued on a straight-line basis over the period.

ii) *Long-term benefits* - Long-term benefits are those that are amortized over a period of more than 12 months following disbursement. Among the long-term benefits that the Matrix grants to its employees are housing and vehicle loans at preferential interest rates, as opposed to those offered by the market.

To access the benefit, it is necessary to comply with the requirements established in the internal manuals of the Entities.

c. *Income taxes* - Entities evaluate the realization of deferred income tax assets over time. Represents tax on recoverable income through future deductions from taxable income and is recorded in the statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable. As of December 31, 2017, the Entities estimate that deferred income tax assets will be recoverable based on their estimated future taxable income. Deferred tax liabilities recorded as taxable differences in the calculation of deferred tax will reflect the amounts payable for income tax in future periods.

d. *Investments* - Impairment of the Bank's investments is made in accordance with the instructions of the Superintendence of Finance of Colombia, published in Chapter I-1 of the Basic Accounting and Financial Circular Letter. Impairment is calculated based on the rating of the investment in securities and/or securities of unrated issues or provisions and securities and/or securities of issues that have external ratings. (See detail in Note 3 - Main accounting policies in investment financial assets policy).

e. *Revaluation of property, plant and equipment* – The Bank measures land and buildings at their revalued amounts and changes in fair value are recognized in other comprehensive income.

The Bank will update the fair values of buildings, land and investment properties every 3 years.

f. *Provisions and contingencies* - A contingency requires classification based on a reliable estimate of the probability of an incident or event occurring. Unless the possibility of any outflow of resources in settlement is remote, the Bank should disclose, for each class of contingent liabilities, at the end of the reporting period, a brief description of the nature of the contingent liability. Where there is a likelihood of an inflow of economic benefits, the Bank should disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where practicable, an estimate of their financial effect. The estimates for contingencies are based on the criteria adopted in accordance with IFRS as follows:

The Bank's provisions are determined based on the probability established by the legal area for each event, fact or legal process in the following manner: processes with a probability of occurrence between 0 and 49% no provision is recognized, processes with a probability of occurrence between 50 and 100% provision is recognized according to the established guidelines.

RECOGNITION OF OBLIGATIONS AND DISCLOSURE OF LIABILITIES - CGN (1)	RISK OF LOSS RATING - ANDJE (2)	HOMOLOGATION UNDER IFRS	PROVISION	DISCLOSURE
Probable	High	Probable	√	√
Possible	Medium	Possible (eventually)	X	√
Remote	Low	Remote	X	X

(1) General Accounting Office of the Nation
(2) National Agency for State Legal Defense

5. STANDARDS ISSUED BY IASB NOT YET IN FORCE IN COLOMBIA

5.1. Incorporated in Colombia as of January 1, 2018 - Decrees 2496 of 2015 and 2131 of 2016 **-** With these decrees, as of January 1, 2018, the following standards will enter force in the technical regulatory framework containing some amendments issued by the IASB on January 1, 2016, allowing for their early application:

Financial Reporting Standard	Subject of the amendment	Detail
IAS 7 – Cash Flor Statements	Disclosure initiatives	Clarify disclosures to assess changes in responsibilities arising from funding activities.
IAS 12 – Deferred tax	Recognition of deferred tax assets for unrealized losses	They clarify the following aspects: • Unrealized losses on debt instruments measured at fair value and measured for tax purposes give rise to a deductible temporary difference, regardless of whether the holder of the debt instrument expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimated future taxable profit. • The estimates for future taxable profit exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity evaluates a deferred tax asset in combination with other deferred tax assets. When tax legislation restricts the use of tax losses, an entity would measure a deferred tax asset in

Financial Reporting Standard	Subject of the amendment	Detail
		combination with other deferred tax assets of the same type.
IFRS 9 – Financial Instruments		It was issued as a complete standard including previously issued requirements and additional amendments to introduce a new expected loss model and limited changes to the classification and measurement requirements for financial assets. With the following phases: Phase 1: All recognized financial assets within the scope of IAS 39 are measured subsequently at amortized cost or fair value. Phase 2: The impairment model, in accordance with IFRS 9, reflects expected credit losses as opposed to credit losses incurred under IAS 39. Step 3: The three types of hedge accounting arrangements included in IAS 39 are maintained. The effectiveness test has been revised and replaced by the principle of "economic partnership". Additional disclosure requirements have been added for the entity's risk management activities.
IFRS 15 – Income from customer contracts		IFRS 15 – It has a unique model for processing revenue from customer contracts. Its basic principle is that an entity must recognize revenue to represent the transfer or the goods or services promised to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services, with 5 steps for recognition. Subsequently, the amendments clarifying how were included: • identify a performance obligation (a promise to transfer a good or service to a customer) in a contract; • determine whether a company is the principal (the supplier of a good or service) or an agent (responsible for arranging the good or service that must be provided); and • to determine whether the revenue derived from

Financial Reporting Standard	Subject of the amendment	Detail
		the dealership of a license must be recognized at any given time or in time. This standard replaces the following: IAS 18'Revenue', IAS 11'Construction Contracts', IFRIC 13'Customer Loyalty Programs', IFRIC 15'Agreements for the Construction of Real Estate', IFRIC 18'Transfers of Assets from Customers', SIC Interpretation 31'Advertising Service Exchanges'.

The Bank anticipates that the adoption of these standards and interpretations issued by the IASB incorporated in Colombia as of January 1, 2018, mentioned above, would not have a material impact on the financial statements.

5.2. Incorporated in Colombia as of January 1, 2019 - *Decrees 2496 of 2015 and 2170 of 2017* - With these decrees, as of January 1, 2019, the following standards will enter into force in the technical regulatory framework that contains some amendments issued by the IASB in the second half of 2016, allowing for their early application:

Financial Reporting Standard	Subject of the amendment	Detail
IFRS 2 – Share-based payments	Classification and Measurement of Share-Based Payment Transactions	IFRS 2 did not contain any guidance on how profit consolidation conditions affect the fair value of cash-settled share-based payment liabilities. The IASB has added a guide that introduces accounting requirements for cash-based share-based payments that follow the same approach used for share-based payments. In force January 2018
IFRS 16 – Leases	Issuance of new standard	It establishes principles for the recognition, measurement, presentation and disclosure of leases to ensure that lessees and lessors provide relevant information that accurately represents such transactions. IFRS 16 replaces the following standards and interpretations: • IAS 17 Leases • IFRIC 4 Determining whether an Arrangement contains a Lease • SIC-15 Operating Leases - Incentives • SIC-27 Substance Evaluation of Transactions Involving the Legal Form of a Lease Contract In force January 2019

Financial Reporting Standard	Subject of the amendment	Detail
IAS 40 – Investment properties		The amendments clarify that a transfer to or from investment property requires an assessment of whether a property meets, or no longer meets, the definition of investment property, supported by observable evidence that a change in use has occurred. In addition, the amendments clarify that the situations listed in IAS 40 are not exhaustive and that change of use is possible for properties under construction (i.e. a change in use is not limited to finished properties). In force January 2018
Annual improvements Cycle 2014 - 2016		The amendments to IFRS 1 First-time Adoption remove certain short-term exemptions because the reporting period to which the exemptions applied has now passed. As such, these exemptions no longer apply. The amendments to IAS 28 'Investments in Associates and Joint Ventures' clarify that the option to measure investments in associates and joint ventures at fair value through profit or loss is available separately to each associate or joint venture and that this choice must be made on initial recognition of the associate or joint venture is applicable to a venture capital organization and other similar entities.

5.3. Issued by the IASB not Incorporated in Colombia - The following standards have been issued by the IASB but have not yet been incorporated by Decree in Colombia:

Financial Reporting Standard	Subject of the amendment	Detail
IFRS 9 – Financial Instruments	Prepaid with negative compensation features	Amend the existing requirements in IFRS 9 with respect to termination rights to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative offsetting payments. In addition, they include a clarification with respect to accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in derecognition of the financial liability. In force January 2019

Financial Reporting Standard	Subject of the amendment	Detail
IFRIC 22 – Foreign Currency Transactions and Advance Counterparties		This Interpretation addresses how to determine the date of the transaction for establishing the exchange rate to be used in the initial recognition of the related asset, expense or income (or the related part thereof), in the derecognition of a non-monetary asset or non-monetary liability arising from the payment or collection of the foreign currency prepayment consideration. In force January 2018
IFRIC 23 – Uncertainties in Income Tax Treatment		This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatment. In this circumstance, an entity shall recognize and measure its current or deferred tax assets or liabilities by applying the requirements of IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this Interpretation. Entry into force January 2019

The Bank will quantify the impact on the financial statements once the Decree incorporating them into the Colombian Normative Technical Framework is issued.

6. ESTIMATION OF REASONABLE VALUE

The fair value of financial assets and liabilities that are traded in active markets (such as financial assets in debt securities, equity instruments and derivatives actively traded on stock exchanges or interbank markets) is based on dirty prices provided by an official price provider authorized by the Superintendence of Finance of Colombia, which determines them through weighted averages of transactions occurring during the trading day.

An active market is a market in which transactions for assets or liabilities are carried out with sufficient frequency and volume to provide price information on an ongoing basis. A dirty price is one that includes the interest caused and pending on the security, from the date of issue or last payment of interest until the date of completion of the purchase and sale transaction or until the valuation date. The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques determined by the price vendor.

Valuation techniques used for non-standardized financial instruments such as options, foreign exchange swaps and over-the-counter derivatives include the use of interest rate or currency valuation curves constructed by price providers on the basis of market data and extrapolated to the specific conditions of the instrument being valued, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants that make the most of the data.

The Bank calculates the fair value of fixed income instruments and derivatives daily using price and/or input information provided by the official price vendor (INFOVALMER Price Vendor). This vendor has been authorized after complying with the rules applicable to suppliers of prices for valuation in Colombia, including its purpose, operating regulations, process of approval of valuation methodologies and required technological infrastructure, among other aspects. After evaluating the methodologies of the price provider INFOVALMER S.A., it is concluded that the fair value calculated for the derivative instruments based on prices and inputs delivered by the price provider is appropriate.

The fair value of non-monetary assets such as investment property is determined by independent appraisers using the replacement cost method.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for assets or liabilities that are identical to those at the measurement date.

- Level 2 entries are entries other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is fully classified is determined based on the lowest level input that is significant to the fair value measurement as a whole. To this end, the importance of an input is assessed in relation to the fair value measurement in its entirety.

Financial instruments listed on markets that are not considered active but are valued at quoted market prices, quoted prices of price providers or alternative price sources supported by observable inputs are classified in Level 2.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the importance of a particular input in measuring fair value as a whole requires professional judgment, taking into account factors specific to the asset or liability.

The Bank considers observable data to be those market data that are already available, that are distributed or regularly updated by the price provider, that are reliable and verifiable, that do not have ownership rights, and that are provided by independent sources that actively participate in the relevant market.

a. Fair value measurements on a recurring basis

These are those measures that IFRS accounting standards require or permit in the Statement of Financial Position at the end of each accounting period. The following table presents, within the fair value hierarchy, the Bank's assets and liabilities (by class) measured at fair value at December 31, 2017 and 2016, on a recurring basis:

	31-dic-17			
	Level 1	Lavel 2	Level 3	Total
Assets				
Investments in negotiable debt securities				
In Colombian pesos				
Issued or guaranteed by the Colombian government	$ 382.678.890	$ -	$ -	$ 382.678.890
Issued or guaranteed by other financial institutions	-	30.552.370	-	30.552.370
Investments in available-for-sale debt securities				
In Colombian pesos				
Issued or guaranteed by the Colombian government	275.102.420	-	-	275.102.420
In foreign currency				
Issued or guaranteed by the Colombian government	154.624.400	-	-	154.624.400
Investments in equity instruments available for sale				
In Colombian pesos				
Private Equity Funds	6.383.902	-	86.053.021	92.436.923
In foreign currency				
Private Equity Funds	-	-	15.438.480	15.438.480
Participatory Titles	39.215.472	-	-	39.215.472
Trading derivatives				
Currency Forward	-	20.755.931	-	20.755.931
Non-financial Assets				
Investment properties	-	-	6.413.244	6.413.244
Total assets at fair value recurring	$ 858.005.083	$ 51.308.301	$ 107.904.746	$ 1.017.218.130
Liabilities				
Trading derivatives				
Currency Forward	-	27.638.244	-	27.638.244
Total recurring fair value liabilities	$ -	$ 27.638.244	$ -	$ 27.638.244

b. Determining reasonable value

According to the methodologies approved by the Superintendence of Finance of Colombia, the price provider receives the information from all external and internal sources of negotiation and registration within the established schedules. In order to determine the hierarchy level 1 and 2 of the fair value, an instrument-by-instrument evaluation is carried out, in accordance with the calculation type information reported by INFOVALMER, the expert criteria of the Front and Middle Office who issue their concept taking into account aspects such as: Continuity in the publication of prices in historical form, circulating amount, record of operations carried out, number of price contributors as a measure of depth, knowledge of the market, constant quotes by one or more counterparties of the specific security, bid-offer spreads, among others.

The methodologies applicable to the most common derivative instruments are:

- Valuation of foreign currency forwards: The supplier publishes assigned curves according to the currency of origin of the underlying. These curves are made up of nominal rates for the past due period associated with exchange rate forward contracts.

- Valuation of bond forwards: To determine the valuation of the forward at a certain date, the theoretical future value of the Bond is calculated from its price on the valuation day and the risk-free rate of the reference country of the underlying. The present value of the difference between the theoretical future value and the price of the bond agreed in the forward contract is then obtained, using the risk-free rate of the reference country of the underlying, to the term of days for expiration of the contract for the discount.

- Valuation of swap operations: The supplier publishes curves assigned according to the underlying, base swap curves (exchange of payments associated with variable interest rates), domestic and foreign curves, implicit curves associated with foreign exchange forward contracts.

- Valuation of OTC options: The supplier publishes assigned curves according to the currency of origin of the underlying, forward exchange rate curve of the domestic currency object of the operation, implicit curves associated with foreign exchange forward contracts, swap curves assigned according to the underlying, matrix and implicit volatility curves.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following as of December 31, 2017 and 2016:

	31-dic-17	31-dic-16
Legal currency		
Cash	6.725	11.000
Banco de la República (1)	18.217.672	35.906.245
Banks and other financial institutions	106.008.658	24.988.826
Foreign currency		
Cash	-	28.933
Banks and other financial institutions	7.343.787	21.729.990
	$ 131.576.842	$ 82.664.994

(1) These funds are allocated to the Nation by virtue of the borrowing agreement signed between Bancóldex and the Inter-American Development Bank - IDB, through which Bancóldex pledges the income it receives from the collection of the loan portfolio up to an amount of 120% of the six-monthly debt service for the 2080/OC-CO and 2193/OC-CO and 130% for the 2983/TC-CO, 3003/TC-CO, 3661/TC-CO y 2949/OC-CO agreements.

As of December 31, 2017 and 2016, there were no reconciling items in legal or foreign currency with more than 30 days pending adjustment.

8. FINANCIAL INSTRUMENTS

Financial instrument assets comprise marketable investments classified as measured at fair value through profit or loss, available for sale classified as measured at fair value with changes in other comprehensive income, equity instruments measured by changes in equity and derivative financial instruments.

The balance of the investment portfolio is as follows as of December 31, 2017 and 2016:

	31-dic-17	31-dic-16
Investments at fair value through profit or loss - debt instruments		
Titles issued by the nation - TES (1)	$ 382.678.890	$ 479.940.245
Certificates of Deposit at term issued by controlled entities	30.552.370	73.766.005
	413.231.260	553.706.250
Investments at fair value with changes in the ORI - debt instruments		
Titles issued by the nation - TES (1) (2)	275.102.420	270.986.245
Nation Issued Securities - Yankee Bonds	154.624.400	140.368.323
	429.726.820	411.354.568
Investments at fair value with changes in the ORI - equity instruments		
Banco Latinoamericano de Exportaciones S.A. - BLADEX	39.215.473	43.158.683
Private Equity Funds (3)	101.491.501	80.511.064
Less: Impairment	(2.710.093)	(2.400.582)
	137.996.881	121.269.165

	31 Dic.2017	31 Dic.2016
Investments accounted for using the equity method and at cost (4)		
Segurexpo de Colombia S.A.	9.129.194	20.994.544
Fondo Nacional de Garantías S.A. - F.N.G.	110.800.407	105.268.288
Less: Impairment	-	(12.596.726)
	119.929.601	113.666.106
Investments in subsidiaries (5)		
Fiduciaria Colombiana de Comercio Exterior S.A. - FIDUCOLDEX	48.844.216	50.984.465
Arco Grupo Bancoldex S.A.	57.147.830	53.051.574
	105.992.046	104.036.039
	$ 1.206.876.608	$ 1.304.032.128

(1) Debt securities - provided as collateral for money market operations

As of December 31, 2017, and 2016, the investments in debt securities with changes in the result delivered as collateral in money market operations amounted to $0 and $12,511,800, respectively.

As of December 31, 2017, and 2016, the investments in debt securities with changes in the ORI delivered as collateral in money market operations amounted to $0 and $61,350,810, respectively.

(2) Debt securities - delivered as collateral transactions with the Central Counterparty Risk Chamber

As of December 31, 2017, and 2016, investments in debt securities with changes in the ORI provided as collateral to support transactions with the Central Counterparty Risk Chamber amounted to $66,338,198 and Ch$61,414,465, respectively.

(3) Investments at fair value with changes in the ORI - Equity Instruments

December 31, 2017

Entity	Credit risk rating	Investment Commitments	Contingency	Historical Cost	Unit redemption	Inverted	Market value	Valuation	Impairment	Executed %
Aureos	2	$ 14.640.381	$ 3.988.052	$ 3.878.662	$ 13.598.865	$ 17.477.527	$ 6.383.901	$ 2.505.240	$ 319.195	119,38
Escala	3	11.000.001	668	10.982.214	17.118	10.999.332	4.688.070	(6.294.143)	468.807	99,99
Progresa Capital	2	3.723.480	-	2.819.313	1.149.022	3.968.335	2.392.110	(427.203)	119.606	106,58
Colombia Ashmore	1	37.686.200	40	32.493.670	12.482.552	44.976.222	51.836.654	19.342.984	1.036.733	119,34
Brilla Colombia	4	9.787.238	4.936.229	57.776	4.272.473	4.330.249	87.367	29.591	43.684	44,24
Amerigo Ventures Colombia	1	2.762.176	861.157	1.717.983	322.466	2.040.449	1.129.047	(588.936)	22.581	73,87
Velum Early Stage Fund I	1	7.547.482	947.782	6.599.701	-	6.599.701	9.457.463	2.857.762	189.149	87,44
Mas equity fund III Colombia	1	21.000.000	16.372.362	4.008.524	36.267	4.044.791	3.563.224	(445.300)	71.264	19,26
Ashimore Andino II	1	15.000.000	9.527.341	5.319.269	156.271	5.475.540	6.515.184	1.195.914	130.304	36,50
		$ 123.146.958	$ 36.633.631	$ 67.877.112	$ 32.035.034	$ 99.912.146	$ 86.053.020	$ 18.175.909	$ 2.401.323	81,13

December 31, 2017

Entity	Credit risk rating	Investment Commitments	Contingency	Historical Cost	Unit redemption	Inverted	Market value		Valuation	Impairment	Executed %
		USD	USD	USD	USD	USD	COP	USD	USD	COP	
Microcarbon Development Fund Lp	1	4.000	101	3.899	121	4.020	10.642.035	3.566	(332)	71	100
Darby latin american private debt	1	4.864	3.256	1.607	-	1.607	4.796.446	1.607	(136)	16	33
Angel Ventures pacific alliance fund II	1	5.000	5.000	-	-	-	-	-	-	-	-
		13.864	8.357	5.506	121	5.627	15.438.481	5.173	(468)	87,00	41,00
Total Private Equity Funds in $							$ 101.491.501				

December 31, 2016

Entity	Credit risk rating	Investment Commitments	Contingency	Historical Cost	Unit redemption	Inverted	Market value	Valuation	Impairment	Executed %
Aureos	2	14.646.862	3.988.061	4.474.604	12.720.776	17.195.380	9.820.206	5.345.601	491.000	117,40
Escala	3	11.000.001	297.051	10.685.830	17.118	10.702.948	5.877.107	(4.808.723)	587.711	97,30
Progresa Capital	1	3.723.480	176.864	2.642.448	1.149.022	3.791.470	2.347.130	(295.318)	46.943	101,83
Colombia Ashmore	1	37.686.200	1.343.568	31.150.141	12.482.552	43.632.693	46.582.631	15.432.490	931.653	115,78
Brilla Colombia	2	9.600.009	7.329.468	2.261.325	9.458	2.270.783	853.199	(1.408.126)	42.660	23,65
Amerigo Ventures Colombia	1	2.762.176	1.355.704	1.223.436	322.466	1.545.902	753.784	(469.653)	15.076	55,97
Velum Early Stage Fund I	1	7.547.482	1.581.347	5.966.135	-	5.966.135	7.381.296	1.415.161	147.626	79,05
Mas Equity Fund III colombia,	1	21.000.000	20.382.248	617.752	-	617.752	175.520	(442.232)	3.510	2,94
Ashmore andino II	1	15.000.000	12.709.303	2.290.697	-	2.290.697	1.876.143	(414.553)	37.523	15,27
		$ 122.966.210	$ 49.163.614	$ 61.312.368	$ 26.701.392	$ 88.013.760	$ 75.667.016	$ 14.354.647	$ 2.303.702	71,48

Entity	Credit risk rating	Investment Commitments	Contingency	Historical Cost	Unit redemption	Inverted	Market value COP	USD	Valuation	Impairment	Executed %
Microcarbon Development Fund Lp	1	4.000	2.066	1.934	121	2.055	4.844.048	1.614	- 319	96.880	51%
Darby Latin American Private Debt Fun	1	5.000	5.000	-	-	-	-	-	-	-	0%
		9.000	7.066	1.934	121	2.055	4.844.048	1.614	- 319	96.880	51%
Total Private Equity Funds in $							$ 80.511.064				

(*) Credit Risk Rating: The credit risk of investments in Capital Funds made by Bancoldex Capital is rated based on an internal methodology duly approved by the Superintendence of Finance of Colombia in June 2009.

(4) Investments in Affiliates

During 2017 and 2016, the investment of Fondo Nacional de Garantías S.A. was measured using the equity method as required by Decree 2496 of 2015.

For the investment of Segurexpo de Colombia S.A. in accordance with Decree 1007 of June 24, 2016 issued by the Ministry of Commerce, Industry and Tourism, the disposal of the participation of Bancoldex and Previsora S.A. in this Company was authorized, establishing a two-stage disposal program. Once the bidding process had been carried out in each of the stages indicated in the aforementioned decree, no acquisition proposals were received, which is why this disposal process was completed on October 31, 2017, and the equity method was recognized as required by Decree 2496 of 2015.

For this investment in 2016, the provisions of numeral 6.2.1 of chapter 1-1 of the E.C. were applied. 100 of 1995 of the Superintendence of Finance of Colombia: investments in associates and joint ventures must comply with the provisions of IAS 27, IAS 28 and IFRS 11, as applicable.

The detail of investments in associates as of December 31, 2017 and 2016, is as follows

December 31, 2017

Entity	Credit Risk rating	Country	% Part	Investment Value	Accumulated-ORI	Income (expense) by participation method
Fondo Nacional de Garantías S.A. (*)	A	Colombia	25,73%	110.800.407	8.317.217	(2.152.117)
Segurexpo de Colombia S.A.	D	Colombia	49,63%	9.129.194	(19.204)	(11.643.231)
				$ 119.929.601	$ 8.298.014	$ (13.795.348)

(*) The Bank received dividends in shares of Fondo Nacional de Garantías S.A. of $2,223,060 and in cash of $3,535,376 during 2017.

(**) The Bank received cash dividends from Segurexpo de Colombia S.A. of $202,915. On October 31, 2017, the investment of Segurexpo de Colombia S.A. was recognized using the equity method and, as a result, a loss for the equity method of equity of $11,484,957 was generated, offset by a return for impairment of investments of $12,596,726.

December 31, 2016

Entity	Credit Risk rating	Country	% Part	Investment Value	Impairment	Net value	Accumulated-ORI	Income (expense) by participation method
Fondo Nacional de Garantías S.A. (*)	A	Colombia	25,73%	105.268.288	-	105.268.288	(2.902.395)	3.770.729
Segurexpo de Colombia S.A.	D	Colombia	49,63%	20.994.544	12.596.726	8.397.818	-	-
				$ 126.262.832	$ 12.596.726	$ 113.666.106	$ (2.902.395)	$ 3.770.729

(*) The Bank paid dividends in shares of Fondo Nacional de Garantías S.A. of $2,812,810 and in cash of $1,753 (pesos) during 2016.

(5) Investments in Subsidiaries

The following is a detail of investments in subsidiaries as of December 31, 2017 and 2016:

December 31, 2017

Entity	Credit Risk rating	Country	% Part	Investment Value	Accumulated-ORI	Income (expense) by participation method
Arco Grupo Bancoldex S.A. (*)	A	Colombia	87,45%	57.147.830	12.607.938	(504.485)
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX (**)	A	Colombia	89,32%	48.844.216	12.786.732	3.941.296
				$ 105.992.046	$ 25.394.670	$ 3.436.811

(*) The Bank received dividends in shares of Arco Grupo Bancoldex S.A. of Ps. 2,386,070 during 2017. On April 7, 2017, Bancóldex made a capitalization of $3,498,822, represented by 4,665,096 shares with a par value of $750.

(**) The Bank received cash dividends from Fiduciaria Colombiana de Comercio Exterior S.A. of $4,131,836 during 2017.

December 31, 2016

Entity	Credit Risk rating	Country	% Part	Investment Value	Accumulated-ORI	Income (expense) by participation
Arco Grupo Bancoldex S.A. (*)	A	Colombia	86,55%	53.051.574	14.736.441	2.143.740
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX (**)	A	Colombia	89,32%	50.984.465	11.506.019	3.522.642
				$ 104.036.039	$ 26.242.460	$ 5.666.382

(*) The Bank received dividends in shares of Arco Grupo Bancóldex S.A. of $2,378,677 during 2016.

(**) The Bank received dividends of $2,965,598 in shares of Fiduciaria Colombiana de Comercio Exterior S.A. during 2016.

The detail of the fair value of trading derivatives at 31 December 2017 and 2016 is as follows:

	31-dic-17	31-dic-16
Forward Negotiation Contracts		
Active position		
Foreign exchange purchase rights	$ 270.085.575	$ 650.300.341
Rights to sell foreign exchange	1.842.702.050	1.142.756.077
Currency purchase obligations	(268.946.755)	(645.790.594)
Currency sale obligations	(1.823.053.722)	(1.120.071.883)
Credit Valuation adjustment -CVA	(31.217)	(23.021)
Total Forward contracts Forward active position	$ 20.755.931	$ 27.170.920

	31 Dic. 2017	31 Dic. 2016
Passive position		
Foreign exchange purchase rights	$ 2.302.947.006	$ 1.176.391.442
Rights to sell foreign exchange	156.406.989	714.823.524
Currency purchase obligations	(2.328.655.499)	(1.193.710.860)
Currency sale obligations	(158.340.166)	(720.062.124)
Debit Valuation adjustment -DVA	3.426	7.068
Total Forward contracts Forward liabilities position	$ (27.638.244)	$ (22.550.950)
Futures Trading Contracts		
Foreign exchange purchase rights	$ 1.036.928.415	$ 970.559.529
Rights to sell foreign exchange	1.536.460.145	1.022.634.064
Currency purchase obligations	(1.036.928.415)	(970.559.529)
Currency sale obligations	(1.536.460.145)	(1.022.634.064)
Future Hedging Contracts		
Foreign exchange purchase rights	$ -	$ -
Rights to sell foreign exchange	58.301.292	-
Currency purchase obligations	-	-
Currency sale obligations	(58.301.292)	-
Total Futures contracts	$ -	$ -

(*) As of March 2017, the Bank initiated operations with derivative instruments for hedging purposes. These transactions are performed to hedge the foreign exchange risk of positions in foreign investments. An analysis is conducted monthly to assess the effectiveness of the hedge.

Credit quality of debt securities - Below is a breakdown of the credit quality of debt securities, in accordance with the international risk rating assigned by the recognized rating agencies:

	dic-17	dic-16
Degree of investment	820,472,750	882,871,084
No Qualification	22,485,330	15,000,000
Total	**842,958,080**	**897,871,084**

As of December 31, 2017 and 2016, 97.3% and 98%, respectively, of the investments are in investments with an international investment grade rating, and 96% and 92%, respectively, of the investments are in the nation's debt securities. This reflects a low credit risk exposure in line with the conservative credit risk profile defined by the Board of Directors.

Following is a detail of the credit quality of the counterparties with whom derivative transactions are carried out, in accordance with the international risk rating assigned by the recognized rating agencies:

	dic-17	dic-16
Degree of investment	39,218,640	235.331.439
No Qualification	50,091,521	97.889.255
Total	**89,310,161**	**333.220.694**

As of December 31, 2017 and 2016, 44% and 66%, respectively, of the exposure is to internationally rated investment-grade counterparties and the remaining 56% and 34%, respectively, are mostly held by pension funds and local severance funds. The reduction between 2017 and 2016 is due to lower exchange rate volatility and lower volume of OTC transactions.

The following is a summary of financial assets by maturity dates as of December 31, 2017 and 2016:

December 31, 2017

	up to 3 months	More than 3 months, no more than 1 year	More than 1 year			Total
	More than 1 month no more than 3 months	More than 6 months, no more than 1 year	Between 1 and 3 years	More than 3 years and no more than 5 years	More than 5 years	
Negotiable investments						
Titles issued by the nation - TES	$ 991.060	$ 536.340	$ 272.735.915	$ 106.166.500	$ 2.249.075	382.678.890
Certificates of Deposit at term issued by controlled entities	8.067.040	-	22.485.330	-	-	30.552.370
Available-for-sale investments						
Titles issued by the nation - TES	-	28.426.020	72.212.410	2.189.000	172.274.990	275.102.420
Nation Issued Securities - Yankee Bonds	-	-	-	-	154.624.400	154.624.400
	$ 9.058.100	$ 28.962.360	$ 367.433.655	$ 108.355.500	$ 329.148.465	$ 842.958.080

	December 31, 2016							
	Up to 3 months		more than 3 months no more than 1 year		More than 1 year			Total
	up to 1 month	More than 1 month no more than 3 months	More than 3 months, no more than 6 months	More than 6 months, no more than 1 year	Between 1 and 3 years	More than 3 years, no more than 5 years	More than 5 years	
Negotiable investments								
Titles issued by the nation - TES	$ -	$ -	$ -	$ -	$ 315.814.580	$ 63.426.390	$ 100.699.275	$ 479.940.245
Certificates of Deposit at term issued by controlled entities	6.196.875	4.020.360	13.094.070	22.180.720	18.422.780		9.851.200	73.766.005
Available-for-sale investments								
Titles issued by the nation - TES	-	-	-	-	29.199.290	72.317.940	169.469.015	270.986.245
Nation Issued Securities - Yankee Bonds	-	-	-	-	-	-	140.368.323	140.368.323
	$ 6.196.875	$ 4.020.360	$ 13.094.070	$ 22.180.720	$ 363.436.650	$ 135.744.330	$ 420.387.813	$ 965.060.818

Impairment of investments - The following is the movement in the impairment of investments*:*

	31-dic-17	31-dic-16
Balance at beginning of period	$ 14.997.308	$ 14.567.945
Constitutions (charges to results)	604.260	765.422
Recoveries (credits to income)	(12.891.475)	(336.059)
Period-end closing balance	$ 2.710.093	$ 14.997.308

9. OTHER FINANCIAL ASSETS

The balance of money market operations comprises the following as at 31 December 2017 and 2016:

	31 Dec. 2017			31 Dec. 2016		
	Interest Rate (%)	Negotiation Term Days	Amount	Interest Rate (%)	Negotiation Term Days	Amount
Inter-banks						
Legal Currency						
Financial Corporations	4,52	5	$ 5.002.511	7,14	4	$ 5.002.974
Foreign Currency						
Banks	1,55	5	16.414.827	1,55	242	52.984.639
Financial Corporations				0,63	6	30.009.200
			$ 21.417.338			$ 87.996.813

10. LOAN PORTFOLIO AND LEASING OPERATIONS, NET

The following is a breakdown of the loan portfolio by type:

	31 Dec. 2017		
Portfolio and accounts receivable in legal currency:			
	Equity	Interest	Accounts receivable
Guarantee Suitable for commercial portfolio..:			
In force	$ 29.651.888	$ 103.927	$ -
Expired 1 month up to 3 months	1.727.201	-	-
Expired 3 months to 6 months	922.832	-	-
Expired 6 months to 12 months	-	-	654
Expired more than 12 months	6.112.889	-	-
	38.414.810	103.927	654
Other Commercial Portfolio Guarantees :			
Outstanding	3.705.609.236	18.878.014	302.718
Expired 1 month up to 3 months	5.267.465	170.646	1.564
Expired 3 months to 6 months	-	-	42
Expired 6 months to 12 months	2.128.658	102.501	61.940
Expired more than 12 months	32.698.232	1.397.192	12.706
	3.745.703.591	20.548.353	378.970
Guarantee Ideal for consumption portfolio……:			
Outstanding	1.083.539	3.683	142
	1.083.539	3.683	142
Other Guarantees for consumer portfolio..:			
Outstanding			
Expired 1 month up to 2 months	198.727	59	1.989
	16.566	21	-
	215.293	80	1.989
Ideal guarantee for your home portfolio..:			
Outstanding			
Expired 1 month up to 4 months	17.651.539	44.764	1.751
	113.294	269	26
	17.764.833	45.033	1.777
Total legal currency			
	3.803.182.066	20.701.076	383.532
Portfolio and accounts receivable in foreign currency:			
	31 Dic. 2016		
Guarantee Suitable for commercial portfolio..:			
Outstanding			
Expired 3 months to 6 months			
	6.955.228	-	-
	51.244	-	-
Other Commercial Portfolio Guarantees :			
Outstanding	7.006.472	-	-
Total foreign currency	1.772.472.440	15.141.578	-
Total portfolio and gross accounts receivable	1.772.472.440	15.141.578	-
Impairment of portfolio and accounts receivable	1.779.478.912	15.141.578	-
Total portfolio and net accounts receivable	5.582.660.978	35.842.654	383.532
Impairment of portfolio and accounts receivable	(213.254.521)	(2.297.516)	(76.264)
Total portfolio and accounts receivable net	$ 5.369.406.457	$ 33.545.138	$ 307.268

	31-dic-16		
Portfolio and accounts receivable in legal currency:			
	Equity	**Interest**	**Accounts Receivable**
Guarantee Suitable for commercial portfolio..:			
Outstanding	$ 38.428.514	$ -	$ -
Expired 1 month up to 3 months	-	-	-
Expired 3 months to 6 months	-	-	-
Expired 6 months to 12 months	-	-	-
Expired more than 12 months	-	-	-
	38.428.514	-	-
Other Commercial Portfolio Guarantees :			
Outstanding	3.720.482.690	23.754.869	5.247
Expired 1 month up to 3 months	7.698.006	394.917	-
Expired 3 months to 6 months	9.259.447	93.603	-
Expired 6 months to 12 months	24.275.648	1.255.380	-
Expired more than 12 months	10.784.683	616.853	-
	3.772.500.474	26.115.622	5.247
Guarantee Ideal for consumption portfolio			
Outstanding	1.037.421	4.011	401
	1.037.421	4.011	401
Other Guarantees for consumer portfolio..:			
Outstanding	422.829	2.987	-
Expired 1 month up to 2 months	-	-	-
Ideal guarantee for your home portfolio..:	422.829	2.987	-
Outstanding			
Expired 1 month up to 4 months			
	18.135.339	66.462	2.336
	-	-	-
	18.135.339	66.462	2.336
Total legal currency	3.830.524.577	26.189.082	7.984
Portfolio and accounts receivable in foreign currency			
Guarantee Suitable for commercial portfolio..:			
Outstanding	10.643.784	-	-
Expired 3 months to 6 months	-	-	-
	-	-	-
Other Commercial Portfolio Guarantees :			
Outstanding			
	1.742.818.024	14.315.620	-
	-	-	-
Total Foreign Currency	1.753.461.808	14.315.620	-
Total portfolio and net accounts receivable	5.583.986.385	40.504.702	7.984
Impairment of portfolio and accounts receivable	(217.304.685)	(2.642.706)	(4.230)
Total portfolio and net accounts receivable	$ 5.366.681.700	$ 37.861.996	$ 3.754

The following is a breakdown of the loan portfolio by portfolio classification according to Chapter II of the CBFC:

31 Dec. 2017					Impairment		
	Equity	Interest	Other Concepts	Guarantees	Equity	Interest	Other Concepts
Housing Loans							
A - Normal	$ 17.511.946	$ 44.391	$ 785	$ 46.207.205	$ 175.119	$ 444	8
B - Acceptable	252.886	641	992	916.086	8.092	21	32
	17.764.832	**45.032**	**1.777**	**47.123.291**	**183.211**	**465**	**40**
Commercial Loans Ideal Guarantee							
A - Normal	1.083.540	3.683	142	2.999.507	22.348	76	3
	1.083.540	**3.683**	**142**	**2.999.507**	**22.348**	**76**	**3**
Consumer Loans - Other Guarantees							
B - Acceptable	141.395	1	-	-	4.115	-	-
C - Appreciable	57.332	58	1.989	-	9.339	10	324
D - Significant	16.566	21	-	-	3.415	4	-
	215.293	**80**	**1.989**	**-**	**16.869**	**14**	**324**
Commercial Credits Ideal Guarantees							
A - Normal	35.206.007	2.239	-	11.183.475	202.797	68	-
B - Acceptable	1.633.678	6.633	-	10.022.664	50.875	675	-
C - Appreciable	802.268	4.302	-	454.750	73.639	632	-
D - Significant	565.774	-	654	6.118.920	103.789	-	654
E - Irrecoverable	7.213.556	90.753	-	4.841.722	7.213.556	90.753	-
	45.421.283	103.927	654	**32.621.531**	7.644.656	92.128	654
Commercial Credits Other Guarantees							
A - Normal	5.472.382.192	33.925.205	302.713	330.916.385	169.223.038	661.256	55
B - Acceptable	7.470.738	149.355	1.127	-	525.036	9.531	59
C - Appreciable	2.088.141	36.321	-	223.833	195.679	3.325	-
D - Significant	18.759.049	1.109.273	2.177	-	17.790.126	1.060.945	2.177
E - Irrecoverable	17.475.910	469.778	72.953	-	17.475.910	469.776	72.952
	5.518.176.030	**35.689.932**	**378.970**	**331.140.218**	**205.209.789**	**2.204.833**	**75.243**
Impairment (Provision) General Commercial					177.648		
	$ 5.582.660.978	$ 35.842.654	$ 383.532	$ 413.884.547	$ 213.254.521	$ 2.297.516	$ 76.264

31 Dec. 2016							
					Impairment		
	Equity	Interest	Other Concepts	Guarantees	Equity	Interest	Other Concepts
Housing Loans							
A - Normal	$ 18.135.339	$ 66.462	$ 2.336	$ 46.066.030	$ 181.353	$ 665	$ 23
	18.135.339	**66.462**	**2.336**	**46.066.030**	**181.353**	**665**	**23**
Consumer Loans ideal guarantees							
A - Normal	1.037.421	4.011	401	3.080.302	21.397	83	8
	1.037.421	**4.011**	**401**	**3.080.302**	**21.397**	**83**	**8**
Consumer Loans other guarantees							
A - Normal	422.829	2.987	-	-	12.304	87	-
	422.829	**2.987**	-	-	**12.304**	**87**	-
Commercial Loans ideal guarantees							
A - Normal	49.072.298	-	-	51.500.567	295.585	-	-
	49.072.298	-	-	**51.500.567**	**295.585**	-	-
Commercial Loans other guarantees							
A - Normal	5.455.428.413	37.770.712	-	348.593.576	117.309.596	717.730	-
B - Acceptable	5.289.112	87.974	-	465.590	324.531	6.658	-
C - Appreciable	4.254.739	99.092	-	-	697.354	11.707	-
D - Significant	38.274.751	2.258.454	5.247	362.015	29.463.384	1.690.767	4.198
E - Irrecoverable	12.071.483	215.010	-	424.800	12.071.484	215.010	-
	5.515.318.498	40.431.242	5.247	**349.845.981**	**159.866.349**	2.641.872	4.198
General Impairment (Provision)							
Commercial					56.927.697		
	$ 5.583.986.385	$ 40.504.702	$ 7.984	$ 450.492.880	$ 217.304.685	$ 2.642.706	$ 4.230

Distribution of the portfolio by geographical area and economic sector - The loan portfolio is distributed by the following economic areas and sectors as of December 31, 2017 and 2016:

December 31, 2017

Economic Sector	ANTIOQUIA Y CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	ABROAD	OCCIDENTE	SANTANDERES	SUR-ORIENTE	Total general
Artistic activities, entertainment. and recreational	$ 5.094.199	$ 12.687.271	$ 323.966	$ 1.623.468	$ 353.979	$ -	$ 1.050.500	$ 368.270	$ 208.609	$ 21.710.262
Accommodation and meal service activities	17.935.408	31.878.337	11.998.844	21.567.288	6.483.895	-	13.793.205	7.328.217	3.876.430	114.861.624
Household activities as employers	-	-	70.833	-	-	-	2.083	-	7.556	80.472
Administrative and support services activities	12.192.396	45.238.531	8.075.371	4.416.007	8.137.894	-	26.572.850	4.560.466	994.845	110.188.359
Financial and insurance activities	52.641.819	134.836.997	16.632.052	24.765.843	11.991.628	150.998.166	120.245.575	116.418.439	1.722.778	630.253.299
Real estate activities	20.367.127	44.047.460	2.203.520	14.105.917	3.099.199	-	17.952.695	3.752.069	508.222	106.036.209
Professional, scientific and technical activities	27.261.162	81.342.188	16.146.311	14.799.639	4.147.419	-	18.402.822	12.319.868	3.470.776	177.890.184
Public administration - defense; social security	-	3.555.495	102.763	-	1.850.778	-	43.550	-	49.922	5.602.508
Agriculture, livestock, forestry and fisheries	9.248.864	8.519.651	5.939.064	29.964.244	6.318.849	-	9.708.998	4.807.768	1.604.176	76.111.614
Employees	-	19.063.664	-	-	-	-	-	-	-	19.063.664
Human health care and social assistance	20.105.525	35.955.025	11.994.397	32.690.985	9.809.056	-	15.788.228	11.997.604	5.574.358	143.915.178
Wholesale-retail; vehicle repair	136.458.650	294.233.290	102.085.958	128.046.319	62.847.738	76.712.436	151.159.791	99.697.075	40.151.931	1.091.393.188
Building and Construction	39.997.322	113.800.687	12.469.922	36.242.100	10.901.446	-	21.841.526	20.055.061	4.057.067	259.365.131
Teaching	16.970.179	15.806.902	5.902.260	4.483.054	5.204.643	-	4.844.258	1.850.611	693.722	55.755.629
Mining and quarrying	1.485.172	3.456.760	4.454.129	488.417	-	-	955.856	2.810.373	117.684	13.768.390
Manufacturing Industries	230.775.805	329.796.122	74.877.801	175.725.514	95.126.272	195.774.084	210.971.518	50.178.792	9.495.662	1.372.721.570
Information and communications	18.206.104	26.443.821	1.441.071	4.500.321	507.854	-	4.477.704	2.601.972	414.611	58.593.458
Extraterritorial organizations and bodies	-	169.764	39.583	-	-	-	-	-	-	209.347
Other service activities	8.084.491	28.436.011	10.344.743	12.307.660	10.725.627	-	63.633.344	5.768.075	602.328	139.902.278
Sum. water; sewage, waste, and discounting.	2.737.502	2.087.131	4.883.647	1.683.444	12.359	-	3.394.809	1.435.194	271.766	16.505.851
Sum. of electricity, gas, steam, air conditioning.	603.690	261.753.705	29.167	2.915.658	-	-	437.778	411.667	469.938	266.621.602
Transport and storage	53.234.847	208.820.572	58.826.983	480.549.208	13.569.637	-	52.402.575	25.382.057	9.325.281	902.111.159
Total general	**$ 673.400.261**	**$ 1.701.929.383**	**$ 348.842.385**	**$ 990.875.086**	**$ 251.088.274**	**$ 423.484.686**	**$ 737.679.665**	**$ 371.743.575**	**$ 83.617.661**	**$ 5.582.660.978**

31-dic-16

Economic Sector	ANTIOQUIA Y CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	ABROAD	OCCIDENTE	SANTANDERES	SUR-ORIENTE	Total general
Artistic activities, entertainment. and recreational	$ 2.396.310	$ 11.798.005	$ 491.933	$ 525.819	$ 141.761	$ -	$ 3.206.409	$ 484.318	$ 52.994	$ 19.097.549
Accommodation and meal service activities	17.095.654	28.194.747	12.476.078	24.399.712	5.962.482	-	11.742.942	7.929.208	3.596.022	111.396.846
Household activities as employers	-	-	83.333	-	-	-	7.083	-	-	90.417
Administrative and support services activities	13.462.816	31.354.025	3.875.573	5.099.705	4.137.981	-	14.264.504	6.471.505	892.433	79.558.543
Financial and insurance activities	65.245.577	180.684.910	18.235.511	17.590.426	17.890.660	160.430.992	231.898.928	135.167.622	18.920.028	846.064.654
Real estate activities	14.458.268	52.650.966	1.899.841	13.980.712	6.793.738	-	17.499.885	5.126.285	830.217	113.239.912
Professional, scientific and technical activities	26.461.730	88.573.418	18.651.902	18.014.118	11.675.012	-	19.954.390	14.780.198	3.188.068	201.298.837
Public administration - defense; social security	-	146.927	179.543	-	1.644.033	-	782.726	-	-	2.753.229
Agriculture, livestock, forestry and fisheries	15.685.645	10.805.319	5.916.780	7.398.845	2.703.060	-	6.555.960	6.872.469	1.757.500	57.695.578
Employees	-	19.595.590	-	-	-	-	-	-	-	19.595.590
Human health care and social assistance	25.255.129	40.316.167	12.527.162	21.900.397	9.896.778	-	16.571.108	14.606.333	1.966.022	143.039.095
Wholesale-retail; vehicle repair	110.059.478	308.164.824	91.801.192	97.394.445	61.283.142	69.686.180	129.244.983	106.651.794	39.257.519	1.013.543.559
Building and Construction	31.833.758	66.715.149	18.685.270	30.298.677	9.569.836	2.400.568	34.766.226	25.221.865	4.162.269	223.653.617
Teaching	4.429.309	9.741.405	5.521.010	3.012.981	4.983.237	-	5.899.897	2.724.928	750.931	37.063.698
Mining and quarrying	3.898.483	6.054.874	4.911.419	66.323.011	-	-	1.490.859	3.793.837	110.520	86.583.003
Manufacturing Industries	242.496.393	305.676.379	53.282.418	264.463.821	100.398.103	161.434.361	306.749.680	60.082.385	3.624.389	1.498.207.929
Information and communications	12.564.984	27.584.435	2.687.710	5.155.946	154.482	-	3.286.145	1.135.770	379.353	52.948.825
Extraterritorial organizations and bodies	-	32.500	-	-	-	-	-	-	-	32.500
Other service activities	6.464.990	34.521.133	7.654.341	18.700.982	5.632.463	-	3.027.031	3.195.797	484.538	79.681.275
Sum. water; sewage, waste, and discounting.	2.193.183	494.799	993.337	319.792	60.325	-	5.346.867	2.558.431	365.023	12.331.757
Sum. of electricity, gas, steam, air conditioning.	646.428	3.833.576	-	114.000	-	30.007.100	238.889	290.476	98.333	35.228.802
Transport and storage	54.604.895	183.905.264	55.818.324	551.511.633	12.309.408	-	53.576.853	28.380.838	10.773.957	950.881.172
Total general	**$ 649.253.031**	**$ 1.410.844.410**	**$ 315.692.677**	**$ 1.146.205.022**	**$ 255.236.501**	**$ 423.959.201**	**$ 866.111.366**	**$ 425.474.060**	**$ 91.210.117**	**$ 5.583.986.385**

December 31, 2017

Economic Sector	COMMERCIAL	CONSUMER	HOUSING	FINANCIAL LEASING	TOTAL	PARTICIPATION %
Artistic activities, entertainment. and recreational	$ 21.710.262	$ -	$ -	$ -	$ 21.710.262	0,39%
Accommodation and meal service activities	113.082.067	-	-	1.779.557	114.861.624	2,06%
Household activities as employers	80.472	-	-	-	80.472	0,00%
Administrative and support services activities	107.981.635	-	-	2.206.725	110.188.359	1,97%
Financial and insurance activities	627.377.251	-	-	2.876.048	630.253.299	11,29%
Real estate activities	104.675.954	-	-	1.360.256	106.036.209	1,90%
Professional, scientific and technical activities	175.424.938	-	-	2.465.246	177.890.184	3,19%
Public administration - defense; social security	5.602.508	-	-	-	5.602.508	0,10%
Agriculture, livestock, forestry and fisheries	73.471.987	-	-	2.639.627	76.111.614	1,36%
Employees	-	1.298.832	17.764.833	-	19.063.664	0,34%
Human health care and social assistance	143.915.178	-	-	-	143.915.178	2,58%
Wholesale-retail; vehicle repair	1.088.262.275	-	-	3.130.913	1.091.393.188	19,55%
Building and Construction	259.091.098	-	-	274.033	259.365.131	4,65%
Teaching	55.755.629	-	-	-	55.755.629	1,00%
Mining and quarrying	13.768.390	-	-	-	13.768.390	0,25%
Manufacturing Industries	1.370.487.913	-	-	2.233.657	1.372.721.570	24,59%
Information and communications	58.593.458	-	-	-	58.593.458	1,05%
Extraterritorial organizations and bodies	209.347	-	-	-	209.347	0,00%
Other service activities	139.902.278	-	-	-	139.902.278	2,51%
Sum. water; sewage, waste, and discounting.	16.505.851	-	-	-	16.505.851	0,30%
Sum. of electricity, gas, steam, air conditioning.	266.621.602	-	-	-	266.621.602	4,78%
Transport and storage	902.012.766	-	-	98.393	902.111.159	16,16%
Total	**$ 5.544.532.860**	**$ 1.298.832**	**$ 17.764.833**	**$ 19.064.453**	**$ 5.582.660.978**	

December 31, 2016

Economic Sector		COMMERCIAL		CONSUMER		HOUSING		FINANCIAL LEASING		TOTAL	PARTICIPATION %
Artistic activities, entertainment. and recreational	$	19.097.549	$	-	$	-	$	-	$	19.097.549	0,34%
Accommodation and meal service activities		111.396.846		-		-		-		111.396.846	1,99%
Household activities as employers		90.417		-		-		-		90.417	0,00%
Administrative and support services activities		75.858.441		-		-		3.700.102		79.558.543	1,42%
Financial and insurance activities		843.188.607		-		-		2.876.048		846.064.654	15,15%
Real estate activities		113.182.222		-		-		57.690		113.239.912	2,03%
Professional, scientific and technical activities		199.785.025		-		-		1.513.812		201.298.837	3,60%
Public administration - defense; social security		2.753.229		-		-		-		2.753.229	0,05%
Agriculture, livestock, forestry and fisheries		57.695.578		-		-		-		57.695.578	1,03%
Employees		-		1.460.250		18.135.339		-		19.595.590	0,35%
Human health care and social assistance		143.039.095		-		-		-		143.039.095	2,56%
Wholesale-retail; vehicle repair		1.006.991.711		-		-		6.551.847		1.013.543.559	18,15%
Building and Construction		223.359.289		-		-		294.328		223.653.617	4,01%
Teaching		37.063.698		-		-		-		37.063.698	0,66%
Mining and quarrying		86.583.003		-		-		-		86.583.003	1,55%
Manufacturing Industries		1.495.795.448		-		-		2.412.481		1.498.207.929	26,83%
Information and communications		52.948.825		-		-		-		52.948.825	0,95%
Extraterritorial organizations and bodies		32.500		-		-		-		32.500	0,00%
Other service activities		79.681.275		-		-		-		79.681.275	1,43%
Sum. water; sewage, waste, and discounting.		12.331.757		-		-		-		12.331.757	0,22%
Sum. of electricity, gas, steam, air conditioning.		35.228.802		-		-		-		35.228.802	0,63%
Transport and storage		950.542.842		-		-		338.330		950.881.172	17,03%
Total	**$**	**5.546.646.158**	**$**	**1.460.250**	**$**	**18.135.339**	**$**	**17.744.638**	**$**	**5.583.986.385**	

Portfolio per currency unit –

December 31, 2017			
Modalities	Legal Currency	Foreign Currency	Total
Commercial	$ 3.784.118.401	$ 1.779.478.912	$ 5.563.597.313
Consumer	1.298.832	-	1.298.832
Housing	17.764.833	-	17.764.833
	$ 3.803.182.066	$ 1.779.478.912	$ 5.582.660.978

December 31, 2016			
Modalities	Legal Currency	Foreign Currency	Total
Commercial	$ 3.810.928.988	$ 1.753.461.808	$ 5.564.390.796
Consumer	1.460.250	-	1.460.250
Housing	18.135.339	-	18.135.339
	$ 3.830.524.577	$ 1.753.461.808	$ 5.583.986.385

Portfolio per maturation period –

	December 31 2017					
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
Commercial	$ 762.667.262	$ 1.744.712.854	$ 1.189.902.005	$ 1.595.732.579	$ 270.582.613	$ 5.563.597.313
Consumer	50.196	505.148	743.488	-	-	1.298.832
Housing	-	58.275	94.029	6.057.784	11.554.745	17.764.833
	$ 762.717.458	$ 1.745.276.277	$ 1.190.739.522	$ 1.601.790.363	$ 282.137.358	$ 5.582.660.978

	December 31 2016					
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
Commercial	$ 1.162.989.978	$ 1.924.892.340	$ 1.168.340.843	$ 1.308.022.999	$ 144.636	$ 5.564.390.796
Consumer	141.552	828.447	490.251	-	-	1.460.250
Housing	14.321	-	116.382	5.237.194	12.767.442	18.135.339
	$ 1.163.145.850	$ 1.925.720.787	$ 1.168.947.477	$ 1.313.260.193	$ 12.912.078	$ 5.583.986.385

Restructured loans - the detail of restructured loans at 31 December 2017 and 2016 is as follows:

Commercial	December 31, 2017				
	Number of Loans	Equity Balance	Interest Balance and others	Equity Impairment	Interest Balance and others
Category B	1	$ 1.030.682	$ 39.473	$ 48.978	$ 1.876
Category C	2	1.507.318	36.630	160.490	3.622
Category D	8	6.692.639	445.400	6.692.639	445.400
Total	**11**	$ 9.230.639	$ 521.502	$ 6.902.107	$ 450.898

Consumer	December 31, 2017				
	Number of Loans	Equity Balance	Interest Balance and others	Equity Impairment	Interest Balance and others
Category B	1	$ 25.280	$ 56	$ 4.118	$ 9
Category C	1	5.653	13	1.115	3
Total	**2**	$ 30.933	$ 70	$ 5.233	$ 12

Comercial	December 31, 2016				
	Number of Loans	Equity Balance	Interest Balance and others	Equity Impairment	Interest Balance and others
Category A	3	$ 524.370.213	$ 9.983.474	$ 12.633.444	$ 259.243
Category B	1	1.249.582.859	23.212.275	43.435.500	806.859
Category D	4	4.525.794.030	483.546.900	2.499.191.217	266.164.780
Total	**8**	$ 6.299.747.102	$ 516.742.649	$ 2.555.260.161	$ 267.230.882

Portfolio write-offs - The detail of portfolio write-offs as of December 31, 2017 and 2016, is as follows:

	December 31, 2017			December 31, 2016		
	Equity	Interest	Other Concepts	Equity	Interest	Other Concepts
Commercial	$ 3.741.154	$ 234.565	$ 6.462	$ 9.591.352	$ 706.805	$ 310.083

Write-off portfolio recovery - The detail of write-off portfolio capital recovery is as follows***:***

	31 Dec. 2017	31 Dec. 2016
Commercial	$ 564.871	$ 1.365

Impairment of loan portfolio - The following is a detail of the impairment of the loan portfolio:

	Commercial	Consumer	Housing	General Impairment (Provision) (1)	Total
Balance at December 31, 2015	$ 135.784.927	$ 49.942	$ 179.841	$ 86.921.863	$ 222.936.573
Expenditure	108.173.746	7.463	32.502	43.608.664	151.822.375
Write-off	(9.591.352)	-	-	-	(9.591.352)
Recovery	(74.205.386)	(23.704)	(30.992)	(73.602.829)	(147.862.911)
Balance at December 31, 2016	**160.161.935**	**33.701**	**181.351**	**56.927.698**	**217.304.685**
Expenditure	131.120.694	21.982	31.170	2.114	131.175.960
Write-off	(3.741.154)	-	-	-	(3.741.154)
Recovery	(74.687.030)	(16.465)	(29.312)	(56.752.163)	(131.484.970)
Balance at December 31, 2017	**$ 212.854.445**	**$ 39.218**	**$ 183.209**	**$ 177.649**	**$ 213.254.521**

(1) At the Extraordinary Shareholders' Meeting held on December 22, 2015, it was approved to reclassify from the general provision the amount to constitute the individual provision required in the application of models, resulting from the implementation of External Circular Letter 032 of 2014; likewise, to use to offset the requirements of individual provisions generated by defaults of commercial portfolio debtors.

At the General Shareholders' Meeting held in March 2017, it was approved to transfer the amount of the general provision to an additional individual provision, which is allocated to certain debtors in accordance with a methodology approved by the Bank's Board of Directors. The additional individual provision may be used to cover greater individual regulatory provision requirements, where required. Therefore, the amount currently recorded in the general provision corresponds exclusively to housing loans.

11. COMMERCIAL AND OTHER ACCOUNTS RECEIVABLES, NET

The following is a detail of commercial and other accounts receivable, net, as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Interest and financial component	$ 35.842.654	$ 40.504.702
Commissions	26.003	8.530
Receivables	282.758	2.235.402
Payments on behalf of customers (note 10)	383.532	7.984
Advances to contracts and suppliers	17.620	549.027
To employees	514.586	566.308
Guarantee deposits	507.280	1.125.266
Investment Program Banco de Opoertunidades	537.522	2.079
Settlement of derivative transactions	4.274.169	6.465.794
Reimbursable expenses of Autonomous	473.169	203.261
Miscellaneous	789.086	198.088
	43.648.378	51.866.442
Less deterioration of accounts receivable:		
Loan portfolio (note 10)	(2.373.780)	(2.646.936)
Others	-	(522.500)
	(2.373.780)	(3.169.436)
	$ 41.274.598	$ 48.697.006

The following is a detail of the movement in the impairment of accounts receivable as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Balance at beginning of period	$ 3.169.436	$ 1.818.036
Constitutions (charges to income)	1.723.920	3.551.463
Write-offs	(241.027)	(1.016.888)
Recoveries (credits to income)	(2.278.549)	(1.183.175)
Balance end of period	$ 2.373.780	$ 3.169.436

12. OTHER NON-FINANCIAL ASSETS

The detail of other non-financial assets at 31 December 2017 and 2016 is as follows:

	31 Dec. 2017	31 Dec. 2016
Prepaid expenses (1)	$ 711.939	$ 661.735
Deferred letters of credit	-	69.805
Art and cultural assets	33.216	33.216
Goods delivered as commodate	14.489	14.489
Taxes	77.513	22.937.307
	$ 837.157	$ 23.716.552

(1) The detail of prepaid expenses is as follows:

	31 Dec. 2016	Charges	Amortization	31 Dec. 2017
Insurance	$ 129.892	$ 271.689	$ 216.493	$ 185.088
Others	531.843	1.415.420	1.420.412	526.851
	$ 661.735	$ 1.687.109	$ 1.636.905	$ 711.939

	31 Dec. 2015	Charges	Amortization	31 Dec. 2016
Insurance	$ 118.236	$ 343.230	$ 331.574	$ 129.892
Others	538.699	1.428.831	1.435.687	531.843
	$ 656.935	$ 1.772.061	$ 1.767.261	$ 661.735

(2) During 2016, an income tax balance of $18,715,639 and an advance payment of $3,993,425 was generated.

13. NON-CURRENT ASSETS HELD FOR SALE, NET

Non-current assets held for sale correspond mainly to assets received in payment from loan portfolio debtors and, therefore, the Bank intends to sell these assets immediately, for which it has established special sale programs, and therefore it is expected that they will be completed within a period of less than one year from the time they are awarded.

As of December 31, 2017, the Bank has four assets received in payment, among which are: 1 movable asset (vehicle), 2 real estate for housing (houses) and 1 real estate other than housing (commercial premises).

13.1. Goods received in payment: The detail of goods received in payment as of December 31, 2017 is as follows:

	31 Dec. 2017			
	Cost	Provision	% Prov.	Total
Movable property	$ 80.500	$ (80.500)	100%	$ -
Real estate for housing	1.911.630	(1.911.630)	100%	-
Real estate other than housing	236.992	(236.992)	100%	-
Total	**$ 2.229.122**	**$ (2.229.122)**		**$ -**

The following is the movement of goods received in payment as of December 31, 2017:

	Goods Received in payment
Balance at December 31, 2016	$ -
Additions	2.229.122
Sales	-
Provision expenses	(2.229.122)
Provision recovery	-
Balance at December 31, 2017	**$ -**

13.2. Other non-current assets held for sale: Details of these assets at 31 December 2017 and 2016 are as follows:

	31 Dec. 2017	31 Dec. 2016
Opening balance	$ 7.237	$ -
Additions	-	7.237
Sales and Marketing	(2.500)	-
Other comprehensive income	(7.237)	-
Profit (loss)	2.500	-
Closing balance	**$ -**	**$ 7.237**

During the first quarter of 2017, the Bank disposed of the 194 assets that had been classified as held for sale in 2016, including 189 furniture and fixtures and 5 computer equipment.

14. PROPERTY AND EQUIPMENT, NET

Property, plant and equipment, net, as of December 31, 2017 and 2016 are detailed below:

Cost of property, plant and equipment

	land	Buildings	Machinery	transport vehicles	Tools and accesories	Office equipment	Computer equipment	Networking and communications equipment	Total
Cost									
Balance at January 1, 2016	$ 77.685	$ 1.217.072	$ 2.463.900	$ 479.108	$ 56.645	$ 2.997.282	$ 1.989.049	$ 2.577.761	$ 11.858.502
Revaluation	3.223.461	24.379.808	-	-	-	-	-	-	27.603.269
Acquisitions	-	-	188.966	-	-	-	20.659	36.316	245.941
Impairments	-	-	(71.724)	-	-	-	(715.611)	(446.927)	(1.234.262)
Sales	-	-	(1.614)	-	-	(15.918)	(6.634)	-	(24.166)
Transfers	-	(4.230.419)	(63.484)	-	(3.606)	(38.263)	(15.485)	(1.894)	(4.353.151)
Balance at December 1, 2016	3.301.146	21.366.461	2.516.044	479.108	53.039	2.943.101	1.271.978	2.165.256	34.096.133
Revaluation	49.602	8.038.962	-	-	-	-	-	-	8.088.564
Acquisitions	-	-	79.184	-	-	40.762	12.776	13.822	146.544
Impairments	-	-	(15.601)	-	-	-	(53.415)	(25.796)	(94.812)
Sales	-	-	-	-	-	-	(1.519)	-	(1.519)
Transfers	(549.405)	-	-	175.910	-	-	-	-	(373.495)
Balance at December 31, 2017	$ 2.801.343	$ 29.405.423	$ 2.579.627	$ 655.018	$ 53.039	$ 2.983.863	$ 1.229.820	$ 2.153.282	$ 41.861.415

Accumulated depreciation and net book value of property, plant and equipment

	land	Buildings	Machinery	transport vehicles	Tools and accesories	Office equipment	Computer equipment	Networking and communications equipment	Total
Accumulated Deppreciation									
Balance at January 1, 2016	$ -	$ (334.728)	$ (1.426.020)	$ (479.108)	$ (48.020)	$ (1.738.117)	$ (1.678.643)	$ (1.702.553)	$ (7.407.189)
Depreciation	-	(325.507)	(152.957)	-	(2.003)	(145.372)	(124.845)	(216.337)	(967.021)
Impairments	-	-	71.724	-	-	-	715.611	446.927	1.234.262
Sales	-	-	1.614	-	-	15.918	4.495	-	22.027
Transfers	-	101.422	63.484	-	3.606	38.263	15.485	1.894	224.154
Balance at December 31, 2016	-	(558.813)	(1.442.155)	(479.108)	(46.417)	(1.829.308)	(1.067.897)	(1.470.069)	(6.893.767)
Depreciación	-	(289.673)	(156.694)	-	(1.501)	(159.895)	(98.937)	(208.853)	(915.553)
Bajas	-	-	15.601	-	-	-	53.315	25.796	94.712
Ventas	-	-	-	-	-	-	1.519	-	1.519
Traslado	-	814.939	-	(175.910)	-	-	-	-	639.029
Saldo al 31 de diciembre de 2017	$ -	$ (33.547)	$ (1.583.248)	$ (655.018)	$ (47.918)	$ (1.989.203)	$ (1.112.000)	$ (1.653.126)	$ (7.074.060)
Net Book value									
Balance at December 31, 2016	3.301.146	20.807.648	1.073.890	-	6.622	1.113.793	204.081	695.187	27.202.366
Balance at December 31, 2017	$ 2.801.343	$ 29.371.876	$ 996.379	$ -	$ 5.121	$ 994.660	$ 117.820	$ 500.156	$ 34.787.355

Land - The 2017 variation corresponds to a transfer made to the Investment Properties group.

Machinery - The movement in the account is due to the purchases made during the year and the retirements of assets due to obsolescence, which were measured at cost and depreciated at 100%.

Impairment of property, plant and equipment - It is indicated that for each comparative date of presentation of the current financial statements, no indications of impairment were identified, and the Bank has not received internal or external indicators that reflect a significant measure of impairment of fixed assets represented in movable and immovable assets; therefore, the values represented in the financial statements correspond, therefore, to the measurement of the cost adjusted to the projection of the end of the expected useful life, to the projected end of expected useful life for each group of assets represented in buildings, machinery, fixtures and fittings, among others, classified as property, plant and equipment.

As of December 31, 2017 and 2016, there are no restrictions on ownership of property, plant and equipment.

Revaluation of Land and Buildings - The Bank uses the revaluation model to measure land and buildings and, in accordance with the Accounting Policy, the Bank will review the revalued cost every three years.

Considering that the last revaluation was carried out on December 31, 2014, the Bank carried out a new valuation of the Bank's offices (land and building) in December 2017, for this purpose a contract with TINSA Colombia Ltda. to carry out IFRS valuation of real estate owned by the Bank, which considers the valuation of Land and Buildings under the Fair Value standard based on the definitions of International Financial Reporting Standard IFRS.

15. INVESTMENT PROPERTIES

The following is a detail of investment properties as of December 31, 2017 and 2016:

	31 Dec. 2017 Buildings and Land	31 Dec. 2016 Buildings and Land
Cost	$ 210.655	$ 198.016
Revaluation	6.202.589	4.032.403
Accumulated depreciation	-	(101.422)
Total	**$ 6.413.244**	**$ 4.128.997**

The following is the change in cost and depreciation of investment property as of December 31, 2017 and 2016:

	31 Dec. 2017		31 Dec. 2016	
	Cost	Depreciation	Cost	Depreciation
Opening Balance	$ 4.230.419	$ (101.422)	$ -	$ -
Transfer	549.405	-	4.230.419	(101.422)
Revaluation	1.633.420	101.422	-	-
Closing Balance	**$ 6.413.244**	**$ -**	**$ 4.230.419**	**$ (101.422)**

For the 2017 period, a transfer of the Land group to Investment Properties was made due to the use of the 37th floor of the Building. This property is measured at fair value as assessed in December 2017 by TINSA Colombia Ltda.

There are no restrictions on the realization of investment properties.

16. FINANCE LEASE

The detail of finance leases at 31 December 2017 and 2016 is as follows:

	Computer equipment	Vehicles	Total
Cost			
Balance at january 1, 2016	-	-	-
Acquisitions	1.079.928	-	1.079.928
Balance at December 31, 2016	1.079.928	-	1.079.928
Acquisitions	331.543	155.900	487.443
Balance at December 31, 2017	$ 1.411.471	$ 155.900	$ 1.567.371

	Computer equipment	Vehicles	Total
Accumulated Amortization			
Balance at December 31, 2016	-	-	-
Amortization expense	451.620	6.062	457.682
Balance at December 31, 2017	$ 451.620	$ 6.062	$ 457.682
Net book value			
At December 31, 2016	1.079.928	-	1.079.928
At December 31, 2016	$ 959.851	$ 149.838	$ 1.109.689

This relates to contracts classified as finance leases, which are recognized at the beginning of the lease and are included in the balance sheet as property, plant and equipment for own use and are initially recognized as assets and liabilities simultaneously at the lower of the fair value of the leased asset and liability or the present value of the minimum lease payments.

17. INTANGIBLE ASSETS

As of December 31, 2017 and 2016, the balance of this account is broken down as follows:

	Licences	Software	Total
Cost			
Balance at 1 January 2016	$ 6.386.007	$ 26.693.504	$ 33.079.511
Acquisitions	92.082	54.795	146.877
Additions	-	1.023.139	1.023.139
Impairments	(898.114)	(1.211.882)	(2.109.996)
Transfers	-	(12.387.983)	(12.387.983)
Balance at December 31, 2016	5.579.975	14.171.573	19.751.548
Acquisitions	41.902	1.760.776	1.802.678
Transfers	63.609	(83.301)	(19.692)
Balance at December 31, 2017	$ 5.685.486	$ 15.849.048	$ 21.534.534

	Licences	Software	Total
Accumulated depreciation			
Balance at 1 January 2016	5.296.799	19.557.660	24.854.459
Depreciation expense	578.857	791.422	1.370.279
Impairments	(891.894)	(1.211.882)	(2.103.776)
Transfers	-	(12.387.983)	(12.387.983)
Balance at December 31, 2016	4.983.762	6.749.217	11.732.979
Amortization expense	344.584	807.381	1.151.965
Transfers	63.609	-	63.609
Balance at December 31, 2017	$ 5.391.955	$ 7.556.598	$ 12.948.553
Net Book value			
At December 31, 2016	596.213	7.422.356	8.018.569
At December 31, 2017	$ 293.531	$ 8.292.450	$ 8.585.981

18. LIABILITIES FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

The following is a detail of financial instruments at amortized cost as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Term Certificates of Deposit		
Issued equal to 6 and less than 12 months	$ -	$ 553.094.396
Issued equal to 12 and less than 18 months	146.093.723	-
Issued 18 months or more	2.167.945.715	2.234.957.005
	2.314.039.438	2.788.051.401
Special guarantee deposits	71.840.243	2.405.818
Interbank funds purchased (1)	-	22.017.444
Simultaneous operations (1)	-	73.848.804
Ordinary bonds of 18 months or more (2)	704.825.151	503.450.328
	$ 3.090.704.832	$ 3.389.773.795

(1) The detail of interbank funds purchased, and simultaneous transactions is as follows:

	31 Dec. 2016		
	Interest rate (%)	Negotiation term days	Amount
Interbank Funds Purchased			
Legal currency			
Bank	7,13	5	$ 10.007.926
Other financial institutions	7,14	5	12.009.518
			$ 22.017.444
Transaction transfer commitments - simultaneous			
Legal Currency			
Bank			
Simultaneous CRCC	7,45	4	$ 73.848.804
			$ 73.848.804

(2) The terms of the bonds are as follows:

Issue	Issue Amount	Lots	Date of Placement	Issue Date	Expiration date (*)	Interest rate
Fifth issue	400.000	Lote 1	19-sep-07	19-sep-07	19-dic-11	Indexed to DTF – IPC – IBR
		Lote 2	14-nov-07			
Sixth issue	600.000	Lote 1	22-abr-08	22-abr-08	22-ene-12	
		Lote 2	12-feb-09			
Seventh issue	1.000.000	Lote 1	12-ago-09	12-ago-09	12-may-13	
		Lote 2	12-may-10			
		Lote 3	12-may-11			
Eighth issue	300.000	Lote 1	07-mar-12	07-mar-12	07-mar-15	
Ninth issue	700.000	Lote 1	06-sep-12	06-sep-12	06-sep-22	
	3.000.000					

(*) This corresponds to the last maturity date of the lots of each issue.

Green Bond Issue: in August 2017, Bancoldex successfully issued its first Green Bond issue through the Colombian Stock Exchange for $200 billion and a 5-year term, obtaining claims for 2.55 the issued value and a cut-off rate of 7.10% EA.

This issue is the first of its kind in the Colombian public securities market, which seeks to channel capital market resources and direct them exclusively to business sector projects that generate environmental benefits, including the optimization of the use of natural resources, the use and correct management of waste from the production process, the increasingly efficient consumption of energy and the incorporation of sustainable practices that include the replacement of inefficient or fossil fuel-based technologies by clean technologies in all economic sectors. This issue counted with the technical cooperation of the Inter-American Development Bank (IDB) and the Swiss State Secretariat for Economic Affairs (SECO).

19. BANK LOANS AND OTHER FINANCIAL OBLIGATIONS

19.1. Bank loans and other obligations: The following is a detail of bank loans and other financial obligations as of December 31, 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Acceptances	$ 274.801	$ 38.235.965
Bank loans and other financial obligations (1)		
Foreign		
Credits	19.360.460	225.587.581
International organizations	136.298.645	51.574.913
Inter-American Development Bank	1.458.725.862	1.213.720.043
Andean Development Corporation	433.521.071	421.872.279
	2.047.906.038	1.912.754.816
	$ 2.048.180.839	$ 1.950.990.781

(1) The detail of bank loans is as follows:

	31 Dec. 2017			31 Dec. 2016		
	Tasa Int. (%)	Amount USD (thousands)	Amount pesos	Interest rate (%)	Amount USD (thousands)	Amount pesos
Short term						
Bank Of Montreal Canada	0,00	-	$ -	1,90	6.138	$ 18.417.314
Bank Of Tokyo Mitsubishi N.Y. USA	2,06	6.488	19.360.460	0,00	-	-
Banco del Estado de Chile	0,00	-	-	1,60	20.136	60.422.622
Banco de credito e inversiones de Chile	0,00	-	-	1,73	4.987	14.963.763
Citibank USA	0,00	-	-	1,67	24.172	72.533.113
Interamerican Investment Corp.	0,00	-	-	2,05	6.307	18.926.861
BCO. KFW IPEX BANK GMBH	0,00	-	-	1,74	2.917	8.753.028
Corporación Andina de Fomento CAF Venezuela	2,18	95.118	283.830.867	1,85	157.419	472.370.021
	2,17	101.606	303.191.327	1,81	222.076	666.386.722
Mid term						
Instituto de Crédito Oficial del Reino de España	2,62	5.446	16.250.100	0,95	10.880	32.648.052
Corporación Andina de Fomento CAF Venezuela	3,50	50.164	149.690.204	0,00	-	-
Banco Latinoamericano de Exportaciones Bladex	3,16	40.231	120.048.545	0,00	-	-
	3,31	95.841	285.988.849	0,95	10.880	32.648.052
Long term						
Interamerican Development Bank Usa	2,09	488.849	1.458.725.862	1,92	404.478	1.213.720.042
	2,27	686.296	$ 2.047.906.038	1,86	637.434	$ 1.912.754.816

Short term	2,17	101.606	303.191.327	1,81	222.076	666.386.722
Mid term	3,31	95.841	285.988.849	0,95	10.880	32.648.052
Long term	2,09	488.849	1.458.725.862	1,92	404.478	1.213.720.043
	2,27	686.296	2.047.906.038	1,86	637.434	1.912.754.817

19.2. Finance lease agreements: As of December 31, 2017 and 2016, the balance of this account is broken down as follows:

	Leased Equipment
Balance at December 31, 2015	$ -
Additions	1.079.928
Balance at December 31, 2016	1.079.928
Additions	487.443,00
Interest caused	315.902,00
Payments	(651.133)
Reexpression	(6.634)
Balance at December 31, 2017	$ 1.225.506

The detail of finance leases at 31 December 2017 and 2016 is as follows:

This relates to eight contracts classified as finance leases, which, in accordance with IAS 17, are recognized on the liability side at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

- Contract number 2014016 for the UPS lease to provide uninterruptible power systems for the wiring centers on floors 37, 38, 40 and 41 of Bancóldex.

- Contract number 152014- addendum 1 for the lease of 10 Lenovo M93Z ALL IN ONE computers, 129 Lenovo Thinkpad X240 ULTRABOOK laptops and 15 External DVD RW optical drives.

- Contract number 152014- addendum 2 for a 36-month lease of 20 Lenovo Tyni M73 and 17 Lenovo ThinkCentre M93z computers.

- Contract number 152014- addendum 3 for the rental service of 80 computers as follows: 31 Thinkpad X270 laptops (in combo), 5 Thinkpad X1 carbon laptops (in combo), 3 Thinkcentre M910Z Desktop AIO (with additional monitor for DTE-Bloomberg) and 41 Thinkcentre M910Z Desktop AIOs.

- Contract number 2005041 - Addendum 5 for the rental service of a TS-3200 library.

- Contract number 2016198 for the lease of an IBM V7000 G1 storage system in its main and alternate data centers.

- Contract number 2015115 for the leasing of 2 servers 828422A, VTL Ppal and Cont.
- Financial leasing contract number 101-1000-49781 for leasing a vehicle.

20. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

The following is a detail of accounts payable as at 31 December 2017 and 2016:

	31 Dec. 2017	31 Dec. 2016
Commissions and fees	$ 118.036	$ 60.000
Costs and expenses payable	49.541	48.354
Dividends (1)	2.288.292	2.267.898
Suppliers	1.961.887	1.406.338
Withholdings and labor contributions (2)	4.011.733	4.135.925
Accounts payable to other employees	924.723	858
Accounts Payable VPN Premium unused (3)	1.066.512	328.235
Settlement of forward contracts	6.523.239	6.163.789
Payable PTP Agreement (4)	1.315.688	-
Payable in Foreign Currency (5)	1.461.990	440.201
Miscellaneous	899.979	1.923.533
	$ 20.621.620	$ 16.775.131

(1) The detail of the dividends payable is as follows, for the Ministries it corresponds to the item deferred as established by Decree 378 of 2016:

	31 Dec. 2017	31 Dec. 2016
Ministry of Commerce, Industry and	$ 33.834	$ 33.834
Ministry of Finance and Public Credit	2.024.846	2.024.846
Individuals	229.612	209.218
	$ 2.288.292	$ 2.267.898

(2) The following is the detail for withholdings and work contributions:

	31 Dec. 2017	31 Dec. 2016
Withholding taxes payable	$ 2.313.017	$ 3.206.333
As a sales tax	92.357	252.804
A title of the industry and commerce tax	30.636	52.847
By way of other contributions	3.585	-
As a CREE tax	-	541.336
Family Compensation Fund, ICBF and SENA	239.879	-
Withholding and payroll contributions	1.195.721	-
Others	136.537	82.605
	$ 4.011.733	$ 4.135.925

(3) Corresponds to the settlement of unclaimed Special Lines of Credit awards.

(4) By virtue of the Inter-Administrative Framework Agreement 375, signed between Bancóldex and the Ministry of Commerce, Industry and Tourism, a transfer of $1,500 was received through Resolution 1946 of October 27, 2016.000 from the budget support of the National Planning Department - DNP, for the PRODUCTIVE TRANSFORMATION PROGRAMME - PTP in order to contract the development of the second stage of the Atlas of Economic Complexity for Colombia (DATLAS 2.0), in order to strengthen and enrich the tool, allowing the alignment of the information it provides with the new strategy of the Ministry of Commerce, Industry and Tourism. Of these resources, $184,312 have been executed.

(5) The final settlement of NDFs with foreign counterparties cancelled on January 2, 2018 and other financial collections from correspondents arising from guarantees issued are disclosed as accounts payable in foreign currency.

21. EMPLOYEE BENEFITS

The following is the detail of the balances for employee benefits as of December 31, 2017 and 2016, it is necessary to indicate that the Bank only has short-term employee benefits:

	31 Dec. 2017	31 Dec. 2016
Payroll payable	$ 47.545	$ 191.373
Severance	898.016	1.066.696
Interest on severance	106.341	124.916
Holidays	2.822.510	3.667.091
Current provisions	26.090	-
	$ 3.900.502	$ 5.050.076

22. ESTIMATED LIABILITIES AND PROVISIONS

The detail of provisions as of December 31, 2017 and 2016, is as follows:

	31 Dec. 2017	31 Dec. 2016
Balance at beginning of period	$ 725.451	$ 589.813
Constitutions	16.651	135.638
Period-end closing balance	$ 742.102	$ 725.451

It corresponds to labor lawsuits filed by third parties against the Bank, for which the estimated date of disbursement for these provisions was determined as December 2019, however, it is not possible to determine an exact calendar of disbursements because the lawsuits must be filed by the different instances.

Details of the processes in force at 31 December 2017 and 2016, with possible (medium) and/or probable (high) ratings:

Type of Process	Parties	General Information	Status of the Process	31 Dec. 2017	31 Dec. 2016
WORK	**TOMÁS URIBE MOSQUERA VS. BANCOLDEX y otros**	Nature: Ordinary work process of undetermined amount indeterminada. Identification: Juzgado 5 Laboral del Circuito de Bogotá. – Juzgado 3 del Circuito de Descongestión (11001310500520060108901) Loss probability: Probable. Proxy: Claudia Liévano	A second instance ruling in favor of the Bank was issued, and the process is currently at the Supreme Court of Justice, with an extraordinary appeal in cassation. It is pending decision	**102.777**	**100.794**
WORK	**CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX y otros.**	Nature: POrdinary work process of undetermined amount. (11001310501420070002101) Identification: Juzgado 14 Laboral del Circuito de Bogotá. – Tribunal Superior de Bogotá –Sala Laboral – Corte Suprema de Justicia. Loss probability: Probable. Proxy: Claudia Liévano	Second instance ruling was issued against the Bank. The process is currently at the Supreme Court of Justice, and an extraordinary appeal has been filed in cassation. It is pending decision.	**105.924**	**103.494**
WORK	**DANIEL MONTAÑÉZ MADERO VS. BANCOLDEX y otros**	Nature: Ordinary work process of undetermined amount Identification: Juzgado 14 Laboral del Circuito de Bogotá. Tribunal Superior de Bogotá (110013105014-20070045601) Loss probability: Probable. Proxy: Claudia Liévano	Second instance ruling was issued against the Bank. The process is currently at the Supreme Court of Justice, and an extraordinary appeal has been filed in cassation. It is pending decision.	**316.513**	**309.251**
WORK	**HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX**	Nature: Ordinary work process of undetermined amount Identification: Juzgado 15 Laboral del Circuito de Bogotá. Juzgado 9 Laboral del Circuito de Descongestión. Tribunal Superior de Bogotá (11001310501520060052201) Loss probability: Probable. Proxy: Germán Valdés	A second instance ruling in favor of the Bank was issued, and the process is currently at the Supreme Court of Justice, with an extraordinary appeal in cassation. It is pending decision	**216.888**	**211.912**
Total				**742.102**	**725.451**

23. OTHER LIABILITIES

The detail of other liabilities as of December 31, 2017 and 2016, is as follows:

	31 Dec. 2017	31 Dec. 2016
Prepaid income (1)	$ 78.079.917	$ 90.654.953
Interest arising from restructuring processes	58.283	-
Deferred payment letters of credit	-	69.805
Revenue received for third parties	30.223	200.840
Miscellaneous - Agreements (2)	25.806.702	26.186.079
	$ 103.975.125	$ 117.111.677

(1) The detail of the anticipated income is:

	31 Dec. 2016	Charges	Amortization	31 Dec. 2017
Interests	$ 90.375.889	$ 37.882.934	$ 51.297.582	$ 76.961.241
Commissions	279.064	1.459.632	620.020	1.118.676
	$ 90.654.953	$ 39.342.566	$ 51.917.602	$ 78.079.917

	31 Dec. 2015	Cargos	Amortización	31 Dec. 2016
Interests	$ 102.391.653	$ 44.372.350	$ 56.388.114	$ 90.375.889
Commissions	853.866	4.685.232	5.260.034	279.064

(2) These balances correspond mainly to the resources received from Ministries, Governments and Mayor's Offices for the financing of lines with rate differentials.

24. EQUITY

24.1. Share capital: As of December 31, 2017 and 2016, the detail of capital is as follows:

	31 Dec. 2017	31 Dec. 2016
Ministry of Commerce, Industry and Tourism	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit	83.420.180	83.420.180
Individuals	2.993.357	2.993.357
	$ 1.062.556.872	$ 1.062.556.872

The number of shares subscribed and paid is as follows:

	31 Dec. 2017	31 Dec. 2016
Ministry of Commerce, Industry and Tourism (A" Class Shares) Ordinary" ("A" Class Shares)	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit (A" Class Shares) Ordinary" ("A" Class Shares)	83.420.180	83.420.180
Private Investors ("B" Class Shares) Ordinary	2.080.683	2.080.683
Private Investors (C" Class Shares)	912.674	912.674
	$ 1.062.556.872	$ 1.062.556.872

Series C preference shares have a minimum annual preferential dividend equivalent to 3.5% of the net worth of the share at the beginning of the year, charged against the earnings of which the General Meeting decrees the calculation. This minimum preferential dividend shall be effective, in principle, for eight (8) years, at the end of which the Bank shall compare the average value of the share registered in the Colombian Stock Exchange during the twelve (12) months prior to the month in which the comparison is made, against the average equity value of the share in the same period.

If the average stock market value is equal to or greater than 110% of the average equity value, the privilege will be extinguished and, consequently, the minimum preferential dividend will be suspended; otherwise, the privilege will be extended for five (5) years, after which the Bank will again carry out the comparison of average values in the same way. If the average stock market value continues to be less than 110% of the average equity value, the privilege will be extended for three (3) successive periods of two (2) years, on the understanding that at the end of each of these periods the Bank will carry out the comparison of average values. If, after the expiration of the periods indicated, the average stock market value continues to be less than 110% of the average equity value, the privilege will be extended for one (1) more year, after which it will expire.

The termination of the privilege, regardless of the time at which it is exercised, will result in these shares becoming ordinary and the subsequent replacement of the securities. If the General Meeting of Shareholders decides to recognize a dividend higher in value than the minimum preferential dividend, the payment of such dividend shall take precedence over the minimum preferential dividend.

For the liquidation of the privilege enshrined in the preceding paragraphs, Bancóldex shall proceed in accordance with the following formula:

Minimum Preferential Dividend = Equity Value of the Share at the beginning of the year N x 3.5%.

Whereas:

Equity value of the Share at the beginning of the Year N = Total equity at December 31 of the year N - 1 / Total outstanding shares

Payment of the minimum preferential dividend is ordered by the General Shareholders' Meeting of the Bank with a charge to the net profits of the respective period; therefore, without prejudice to the provisions of Ordinal 2 of Article 381 of the Commercial Code, The dates for payment of the preferential dividend correspond to those indicated by said entity and in the event that in a given year the Bank does not produce profits, or these are not sufficient to meet said payment, the dates for payment of the dividend correspond to those indicated by said entity.

By decision of the General Shareholders' Meeting of August 31, 2002, the privilege had been extended for a term of five years and again, at the ordinary meeting held on March 31, 2008, considering that the share price is a simple reference to know if the privilege is extended or not, in principle for five years and then for three successive two-year periods, the General Shareholders' Meeting ordered that the stock market price be taken as zero (0) and that the privilege be continued for five more years. Given the expiration of this privilege, the General Shareholders' Meeting of March 22, 2013 approved the extension for five more years.

23.2. Reserves: The following is the detail of the reserves at December 31, 2017 and 2016:

		31 Dec. 2017		31 Dec. 2016
Legal				
Appropriation of liquid profits	$	139.545.280	$	129.496.317
Statutory				
Protection - Private Equity Funds		49.346.690		49.346.690
Occasional				
Tax provisions		36.945.281		34.374.742
	$	225.837.251	$	213.217.749

Legal reserve: According to legal provisions, all credit institutions must constitute a legal reserve, appropriating ten percent (10.0%) of the net profits of each year until reaching fifty percent (50.0%) of the subscribed capital. The legal reserve may not be used to pay dividends or to cover expenses or losses for as long as the Bank has undistributed profits.

Statutory and occasional reserves: These are approved by the General Shareholders' Meeting.

- ✓ In accordance with articles 271 and 272 of the Tax Statute and article 1 of Decree 2336 of 1995, taxpayers required to use special investment valuation systems, in accordance with the special rules established for this purpose by the control entities, the equity value of the investments will be that resulting from the application of such valuation mechanisms and their effects must be recorded in the income statement. For tax purposes, this result will only be made at the head of the company in accordance with the rules of article 27 and other regulations of the Tax Statute. The profits generated at the close of the accounting year as a result of the application of special systems of valuation at market prices and which have not been made at the head of the company in accordance with the rules of article 27 and other concordant regulations of the Tax Statute, shall be transferred to a reserve. This reserve may only be affected when such profits are capitalized or when the income is fiscally realized.

- ✓ The Bank also considered that the same effect had been felt in the past in relation to the valuation of derivative transactions, which is why an occasional reserve was set up.

25. OTHER INCOME

The detail for other income is as follows:

	31 Dec. 2017	31 Dec. 2016
Recovery of provisions		
Loan Portfolio (Note 10)	$ 131.484.970	$ 147.862.911
Accounts Receivable (Note 11)	2.278.549	1.183.175
Write-offs (Note 10)	561.141	1.755
Reversal of impairment loss (*)	12.906.832	336.666
Own property leases	1.595.488	776.698
For sale of property and equipment	2.860	940
Prepayments, recourses and recoveries	-	250.219
F.N.G. Revenue.	222.425	220.564
Others	2.806.183	611.090
	$ 151.858.448	$ 151.244.018

(*) On October 31, 2017, the investment of Segurexpo de Colombia S.A. was recognized using the equity method and, as a result, a loss for the equity method of equity of $11,484,957 was generated, offset by a return for impairment of investments of $12,596,726.

26. OTHER EXPENSES

The detail for other expenses is:

	31 Dec. 2017	31 Dec. 2016
Contributions and affiliations	$ 1.659.032	$ 1.414.225
Insurance	263.108	264.957
Maintenance and repairs	4.019.484	3.410.840
Adaptation and installation of offices	334.499	312.961
Fines and sanctions	1.507.296	-
Using the equity method (1)	19.623.387	-
Toilet and security services	600.793	623.288
Temporary services	616.901	779.094
Advertising	1.013.707	1.030.993
Public Relations	59.400	45.086
Public services	628.474	717.357
Travel expenses	562.050	626.056
Transportation	602.920	680.240
Supplies and stationery	39.525	64.365
Publications and subscriptions	185.410	162.663
Photocopying service	4.416	3.746
Scanning service	99.612	154.375
Reference books	3.310	1.889
Work lunches	47.284	53.227
Cafeteria elements	82.743	104.504
Toiletries	66.159	91.384
Legal and notarial	9.219	9.245
Courier services	184.661	178.416
Telex data transmission. tas. SWIFT	1.541.357	1.582.107
Building management	622.424	657.614
Lesser Things	9.759	2.183
Commercial information	594.404	523.709
Storage of magnetic files	75.852	69.625
Contact Center Bancoldex	550.297	536.403
Stock exchange registrations	54.700	51.700
Alternate contingency processing service	73.841	97.679
Institutional Notices and Announcements	89.426	49.481
Corporate Communications	272.493	515.208
Assumed withholdings	194.164	397.996
VAT assumed by Bancóldex	13.144	5.120
Prior period expenses (2)	3.646.403	4.352
Events and Refreshments Business Training and Strategic Planning	699.278	975.358
Goods received in payment	10.331	-
Other minors	81.033	357.296
	$ 40.742.296	$ 16.554.742

(1) In accordance with Note 8, the provisions of numeral 6.2.1 of Chapter 1-1 of the E.C. 100 of 1995 of the Superintendence of Finance of Colombia were applied to the investment in Associates -Segurexpo and Fondo Nacional de Garantías y Subsidiarias -Arco Grupo Bancoldex y Fiducóldex.: investments in subsidiaries, associates and joint ventures must comply with IAS 27, IAS 28 and IFRS 11, as applicable. These investments are measured by the equity method, i.e., the Bank recognizes in the income statement of the period its interest in the results of the associate and subsidiary, according to its interest.

The detail as at 31 December 2017 is as follows:

		31 Dec. 2017
Fiducoldex	$	459.093
Arco Grupo Bancoldex		1.011.933
Segurexpo de Colombia		11.643.231
Fondo Nacional de Garantias		6.509.130
	$	19.623.387

(2) The balance as of December 31, 2017 is represented mainly by: a) $ 522,500 corresponding to the account receivable from Tecnología y Desarrollo de Colombia S.A.S, in response to the decision of the Arbitration Tribunal of the Bogota Chamber of Commerce; b) Payment of social security contributions, for the periods 2012, 2013, 2014, 2015 and 2016, for a total amount of Ps. 2,258,430; c) Interest forgiveness agreement for a total amount of Ps. 776,397, in application of the payment in payment of the portfolio operation LD700504505.

27. CURRENT TAX LIABILITIES AND DEFERRED TAX ASSETS AND LIABILITIES

The tax provisions applicable to the Bank stipulate that the rate applicable to income tax for 2017 and 2016 is 34% and 25%, respectively, and the income tax for equity - CREE and surcharge for the same tax for 2016 is 9% and 6%, respectively. In addition, a 6% income tax surcharge for 2017 is established for companies whose income is equal to or greater than $800 million.

Income tax recognized in profit or loss

	31 Dec. 2017	31 Dec. 2016
Current tax:		
Compared to the current year	$ 37.281.916	$ 16.743.400
	37.281.916	16.743.400
Deferred tax..:		
Compared to the current year	22.709.005	(128.842)
Adjustments to deferred taxes attributable to changes in tax laws and rates	(1.428.466)	-
	21.280.539	(128.842)
Total tax expense related to continuing operations	$ 58.562.455	$ 16.614.558

The reconciliation between pre-tax income and taxable net income for 2017 and 2016 is as follows:

	31 Dec. 2017	31 Dec. 2016
Profit before income tax from continuing operations	$ 141.427.420	$ 117.001.258
Income tax expense calculated at 40%.	56.570.968	46.800.503
Effect of expenses that are not deductible in determining taxable income	5.583.875	6.378.166
Income (loss) on realization of investments	(661.244)	3.439.544
Income (loss) on realization of derivatives	9.192.063	(31.489.905)
Method of participation income not constituting income	9.123.372	(3.774.844)
Refunds that are not taxed when determining taxable profit	(7.952.991)	(11.856.836)
	31 Dec. 2017	**31 Dec. 2016**
Effect of exempt or non-exempt income - Dividends	(4.985.284)	(3.262.835)
Revaluation of fixed assets	(693.045)	-
Other - Presumptive Interests	(7.615.270)	18.020
Net income from assets held for more than two years	10	-
Income tax expense by ordinary income system	58.562.454	6.251.813
Income tax expense by presumptive income system recognized in results of operations (related to continuing operations)	$ 58.562.454	$ 16.614.558

For the year 2017, the income tax was paid by the ordinary income system, for the year 2016, it was determined by the presumptive income system, established on liquid assets.

In accordance with the regulations in force at December 31, 2016, the taxpayer's net income may not be less than 3% (Law 1819 of 2016 increased the percentage to 3.5%) of his net worth on the last day of the immediately preceding taxable year.

In accordance with IAS 12.58(a), current and deferred taxes shall be recognized as income or expense and included in profit or loss, except to the extent that they arise from transactions or events that are recognized outside profit or loss, either in other comprehensive income or directly in equity.

Reconciliation of the nominal tax rate and the effective tax rate - The reconciliation of the effective tax rate is performed in accordance with the following regulatory parameters, which were in effect at the end of the December 31, 2017 and December 31, 2016 periods.

- Under Law 1607 of 2012, for the year 2016, an income tax rate of 25% was determined, in addition, income tax for equity CREE was paid at the rate of 9% and a respective surcharge equivalent to 6%. The income tax for equity CREE and the surcharge were in force until 2016.

- Law 1819 of 2016 increased the general income tax rate for 2017 to 34%, and established a special income tax surcharge equivalent to 6%.

Income tax recognized directly in equity

	31 Dec. 2017	31 Dec. 2016
Deferred Taxes		
Generated by transactions with equity participants:		
Foreign exchange gain (loss) on foreign exchange on foreign investments	$ (257.407)	$ (208.102)
Profit (loss) on capital fund valuation	3.981.719	3.785.171
Unrealized gain (loss) on available-for-sale investments	14.224.054	6.754.378
Cost of uncontrolled investments	2.877.958	2.913.644
Revaluation of assets	2.926.747	-
Total income tax recognized in other comprehensive income	$ 23.753.071	$ 13.245.091

Current tax assets and liabilities

	31 Dec. 2017	31 Dec. 2016
Current tax assets		
Surpluss in private liquidation to be requested	$ -	$ 22.707.086
Current tax liabilities		
Income tax payable	13.408.143	-
Total	$ 13.408.143	$ 22.707.086

Current taxes correspond to Income and Complementary Taxes, as of December 31, 2017 the balance amounts to Ch$13,408,143 and during 2016 the balance was generated in favor of this tax (see note 12).

Deferred tax balances - The analysis of deferred tax assets/liabilities presented in the Statement of Financial Position is presented below:

39.5 Deferred tax balances - The analysis of deferred tax assets/liabilities presented in the financial statements of financial position is presented below:

	31 Dec. 2017	31 Dec. 2016
Deferred tax assets		
Industry and Commerce Supply	$ -	$ 441.007
Excess of presumptive income over ordinary income	-	29.411.645
Valuated income Investment portfolio	-	-
Expenditure provisioned	71.518	63.342
Loss on valuation of derivatives	1.233.587	-
Amortization Software	916.712	1.907.754
Other assets	697.064	671.073
Total deferred assets	2.918.881	32.494.821
Deferred tax liability		
Investment portfolio valuation	3.358.831	2.629.167
Profit in valuation of derivatives	-	7.859.173
Valuation of returns Capital Funds	5.075.506	6.503.364
Exchange difference in ME investments	873.668	1.058.991
Cost of movable and immovable property	9.508.105	9.110.121
Other deferred tax liabilities - equity	24.010.478	13.453.191
Total deferred liabilities	42.826.588	40.614.008
Total	$ (39.907.707)	$ (8.119.187)

31 Dec. 2017	Opening balance	Recognized in the results	Recognized directly in equity	Closing balance
Deferred tax (liability) / asset related to:				
Derivatives	$ (7.852.792)	$ 9.096.662	$ 66.438	$ 1.310.308
Property, plant and equipment	(8.637.453)	(514.241)	-	(9.151.694)
Revaluation	-	-	(2.926.747)	(2.926.747)
Other assets	31.000	-	-	31.000
Financial leases	431.971	(34.863)	-	397.108
Intangible assets	1.907.754	(991.042)	-	916.712
Financial assets at fair value through profit or loss	(2.629.166)	(729.664)	-	(3.358.830)
Available-for-sale financial assets	(6.754.378)	-	(7.469.673)	(14.224.051)
Valuation of equity funds	(10.288.535)	1.427.858	(196.548)	(9.057.225)
Foreign exchange difference on foreign operations	(850.889)	185.323	(17.133)	(682.699)
Provisions	504.348	(432.831)		71.517
Cost of ME investments	(2.913.643)		35.684	(2.877.959)
Other financial liabilities	(479.050)	123.903	-	(355.147)
Tax loss carryforwards/excesses presumptive income	29.411.646	(29.411.646)	-	-
Total	$ (8.119.187)	$ (21.280.541)	$ (10.507.979)	$ (39.907.707)

31 Dec. 2016	Opening balance	Recognized in the results	Recognized in other comprehensive income	Recognized directly in equity	Closing balance
Deferred tax (liability) / asset related to:					
Derivatives	$ 23.653.294	$ (31.506.086)	$ -	$ -	$ (7.852.792)
Property, plant and equipment	(8.955.632)	318.179	-	-	(8.637.453)
Other assets	67.200	(36.200)	-	-	31.000
Financial leases		431.971	-	-	431.971
Intangible assets	2.323.969	(1.225.680)	809.465	-	1.907.754
Financial assets at fair value through profit or loss	(5.116.288)	2.487.122	-	-	(2.629.166)
Available-for-sale financial assets	-		-	(6.754.378)	(6.754.378)
Valuation of equity funds	(7.328.154)	824.790	-	(3.785.171)	(10.288.535)
Foreign exchange difference on foreign operations	(1.058.991)		-	208.102	(850.889)
Provisions	630.425	(126.077)	-	-	504.348
Cost of ME investments	-		-	(2.913.643)	(2.913.643)
Other financial liabilities	(28.227)	(450.823)	-	-	(479.050)
Tax loss carryforwards/excess presumptive income	-	29.411.646	-	-	29.411.646
Total	$ 4.187.596	$ 128.842	$ 809.465	$ (13.245.090)	$ (8.119.187)

28. CONTINGENCIES

Legal contingencies - As of December 31, 2017 and 2016, the Bank was involved in administrative and judicial proceedings against the Bank; the claims of the proceedings were reviewed based on the analysis and concepts of the lawyers in charge and the following contingencies were determined:

Labor lawsuits - As of December 31, 2017 and 2016, labor lawsuits for $100,000 had been filed, respectively.

Civil Proceedings - As of December 31, 2017 and 2016, the result of the valuation of the claims of the civil litigation proceedings amounted to $24,000, respectively.

Administrative and other proceedings - As of December 31, 2017 and 2016, the result of the valuation of the claims of administrative, arbitration and executive proceedings amounted to $5,819,999 and $5,832,148, respectively.

The following is the detail of the work processes:

Type of process	parties	General Information	Process Status	31 Dec. 2017	31 Dec. 2016
WORK	OLGA CÁRDENAS DE MICHELSEN (Sustituta pensional de Arturo Michelsen) VS. BANCOLDEX y Otros	Nature: Proceso Ordinario laboral de cuantía indeterminada Identification: Juzgado 15 Laboral del Circuito de Bogotá. Juzgado 9 Laboral del Circuito de Descongestión.(110013105015-2002-00431-01) Loss probability: Posible. Proxy: Claudia Liévano	A second instance ruling in favor of the Bank was issued, and the process is currently at the Supreme Court of Justice, with an extraordinary appeal in cassation. It is pending decision. **Absolute Value**	1	1
WORK	JAVIER ENRIQUE MÚNERA OVIEDO VS. BANCOLDEX	Nature: Proceso Ordinario laboral de cuantía aproximada de $100.000 Identification: Juzgado 1 Laboral del Circuito de Barranquilla. 08001310500120040023801 Con Loss probability: Posible. Proxy: Claudia Liévano.	A second instance ruling in favor of the Bank was issued. The applicant lodged an appeal in cassation. Bancoldex lodged an objection.	100.000	100.000
WORK	HERNÁN OSORIO JIMÉNEZ VS. BANCOLDEX	Nature: Ordinary process of undetermined amount Identification: Juzgado 4 Laboral del Circuito de Bogotá. (110013105004-2010-00406-00) Loss probability: Posible. Proxy: Claudia Liévano	Second instance ruling in favor of the Bank was issued. Absolute value	1	1
WORK	BRYAN ALEXANDER JIMÉNEZ VS. BANCOLDEX	Nature: Ordinary process of undetermined amount Identification: Juzgado 23 Laboral del Circuito de Bogotá. (2016-435) Loss probability: Posible. Proxy: Germán Valdés	A lawsuit was filed and transferred to the Bank. The lawsuit was answered. A date is set for the initial hearing.	-	-

The detail of the contingent accounts is as follows:

Debtors –

	31 Dec. 2017	31 Dec. 2016
Interest on loan portfolio	$ 13.111.749	$ 5.832.204
Interest on financial leases	4.608.810	1.759.439
Fees receivable	31.245.712	38.829.326
Purchase options to be received	406.332	340.948
Social Security Contributions	2.245.564	-
Litigation in progress	5.844.000	5.856.148
Securities in repo operations	-	73.862.610
Excess of presumptive income	72.416.328	45.437.243
Purchase commitments Forward FIX ME	1.492.000	189.044.730
Rights in options	-	67.045.520
	$ 131.370.495	$ 428.008.168

Creditors –

	31 Dec. 2017	31 Dec. 2016
Bank Guarantees	$ 58.988.602	$ 16.130.176
Letters of Credit	13.015.891	6.383.158
Approved appropriations not disbursed	1.445.169	1.668.884
Litigation in progress	100.000	100.000
Private Equity Fund Commitments	36.633.630	49.163.616
Sales commitments Forward FIX ME	-	189.044.730
Investment Commitment FCP ME	24.938.783	21.204.025
Others	464	464
	$ 135.122.539	$ 283.695.053

29. OPERATING SEGMENTS

As of December 31, 2017 and 2016, the assets and net income of the main business segments of Bancóldex are presented below:

	December 31, 2017						
Figures in thousands of pesos	COP Portfolio	USD Portfolio	investment portfolio	Treasury	Commissions	Others	Total
Amount of Primary Related Assets*	3.803.182.065	1.779.478.913	842.958.080	173.750.110	-	246.590.914	6.845.960.082
STATEMENT OF INCOME:							
Generated income	349.937.950	73.167.593	76.140.405	9.397.200	-	-	508.643.148
Financial expenses	226.604.934	37.254.932	4.923.533	1.479.750	-	-	270.263.149
Financial income and/or expenses (includes commissions)	(954.849)	(6.011.790)	(506.365)	(1.403.674)	2.324.314	-	(6.552.364)
Gross Financial Margin	**122.378.167**	**29.900.871**	**70.710.507**	**6.513.776**	**2.324.314**	**-**	**231.827.635**
Balance portfolio provisions	(1.354.868)	484.824					(870.044)
Net Financial Margin	**123.733.035**	**29.416.047**	**70.710.507**	**6.513.776**	**2.324.314**	**-**	**232.697.679**
Operating expenses::							
Administrative expenses	38.203.009	15.869.974	6.553.424	3.755.130	2.437.661	2.262.320	69.081.518
Financial corporate tax	16.338.026	1.644.230	3.867.485	127.696	135.743	1.793.258	23.906.438
Other provisions	(538.085)		-	-	-	2.538.633	2.000.548
Operating profit	**69.730.085**	**11.901.842**	**60.289.598**	**2.630.950**	**(249.089)**	**(6.594.211)**	**137.709.175**
Net other income/expenses (includes dividends)	-	-	-	-	-	3.718.245	3.718.245
Profit before tax	**69.730.085**	**11.901.842**	**60.289.598**	**2.630.950**	**(249.089)**	**(2.875.966)**	**141.427.420**
Income Tax							58.562.454
Net Income							**82.864.966**

*The amount of assets for Treasury includes liquidity represented in money market operations and available in banks.

Figures in thousands of pesos	COP Portfolio	USD Portfolio	investment portfolio	Treasury	Comisiones	Otros	Total
Amount of Primary Related Assets	3.830.524.578	1.753.461.808	965.060.818	197.832.726	-	267.012.100	7.013.892.031
STATEMENT OF INCOME:							
Generated income	365.438.548	64.205.508	85.888.754	1.771.910.730	-	-	2.287.443.540
Financial expenses	284.541.508	32.440.447	10.457.395	1.755.711.798	-	-	2.083.151.148
Financial income and/or expenses (includes commissions)	(775.444)	(10.232.221)	(789.876)	(1.371.593)	5.984.408	-	(7.184.727)
Gross Financial Margin	**80.121.596**	**21.532.839**	**74.641.483**	**14.827.338**	**5.984.408**	**-**	**197.107.664**
Balance portfolio provisions	3.611.924	346.207		-			3.958.131
Net Financial Margin	**76.509.671**	**21.186.633**	**74.641.483**	**14.827.338**	**5.984.408**	**-**	**193.149.533**
Operating expenses:							
Administrative expenses	34.546.157	12.801.128	5.383.380	4.321.980	5.782.441	2.137.536	64.972.623
Financial corporate tax	19.016.607	3.655.314	8.444.053	207.927	87.492	935.363	32.346.756
Other provisions	2.475.131	28.569		-	-	429.363	2.933.063
Operating profit	**20.471.776**	**4.701.621**	**60.814.050**	**10.297.431**	**114.476**	**(3.502.262)**	**92.897.092**
Net other income/expenses (includes dividends)	224.989	108.936		-	-	23.770.241	24.104.166
Profit before tax	**20.696.766**	**4.810.558**	**60.814.050**	**10.297.431**	**114.476**	**20.267.979**	**117.001.258**
Income Tax							16.614.556
Utilidad neta							**100.386.703**

30. RELATED PARTIES

The Bank considered the participation of the related parties in the generation of profits, the existence of the relationship with related parties such as: shareholders, members of the Board of Directors and Directors of the Bank, subordinate entities and entities of the same parent, are clear examples of persons or entities that influence or may have an effect on the results and financial situation of the Bank. It was also considered that the aforementioned transactions could be carried out that other parties, unrelated to each other, could not, therefore, record the balances of assets and liabilities resulting from the reconciliation of balances, as well as the income and expenses caused in each period, corresponding to transactions with related parties, which are discussed in detail below:

- *Shareholders:* all related party transactions as defined in IAS 24.

- *Administrators:* The President, Vice-Presidents, Managers and Comptroller of the Bank are considered administrators.

- *Subordinates:* the entities over which control is held in accordance with the definition of control in IFRS10, Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex and Arco Grupo Bancóldex.

Transactions with related parties - The Bank may enter into transactions, agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair value, based on market conditions and rates.

The Bank and its related parties did not have any such transactions during the periods ended December 31, 2017 and 2016:

- Loans that imply an obligation for the mutual insurance company that does not correspond to the essence or nature of the mutual insurance contract.
- Loans with interest rates different from those normally paid or charged to third parties under similar conditions of term, risk, etc.
- Transactions whose characteristics differ from those carried out with third parties.

The following shows the grouping of balances and transactions with shareholders, directors, subsidiaries and members of the Board of Directors:

Transactions with shareholders -

	31 Dec.2017	31 Dec.2016
ASSETS		
Investments		
Ministry of Finance and Public Credit	$ 812.405.710	$ 891.294.813
	$ 812.405.710	$ 891.294.813
LIABILITIES		
Dividends payable		
Ministry of Commerce, Industry and Tourism	$ 33.834	$ 33.834
Ministry of Finance and Public Credit	2.024.846	2.024.846
Income Received in Advance		
Ministry of Commerce, Industry and Tourism	65.063.800	70.467.774
Other liabilities		
Ministry of Commerce, Industry and Tourism	10.487.730	6.662.904
	$ 77.610.210	$ 79.189.358

		31 Dec.2017		31 Dec.2016
EQUITY				
Subscribed and paid-in capital				
Ministry of Commerce, Industry and Tourism	$	976.143.335	$	976.143.335
Ministry of Finance and Public Credit		83.420.180		83.420.180
Unrealised gains or losses ORI				
Ministry of Finance and Public Credit		38.443.389		16.885.944
	$	1.098.006.904	$	1.076.449.459
INCOME				
Other Income				
Ministry of Commerce, Industry and Tourism	$	41.645.243	$	46.641.289
Valuation of investments and other income				
Ministry of Finance and Public Credit		77.930.147		71.921.450
	$	119.575.390	$	118.562.739
EXPENSES				
Valuation of investments				
Ministry of Finance and Public Credit	$	975.534	$	6.025.925
Commissions				
Ministry of Finance and Public Credit		5.704.675		7.238.271
Other (Interbank interest liabilities, Valuation loss)				
Ministry of Finance and Public Credit		4.907.620		4.639.820
Others				
Ministry of Commerce, Industry and Tourism		1.397		-
	$	11.589.225	$	17.904.016

The balances of assets with shareholders correspond to the Bank's investments in treasury securities issued by the Ministry of Finance and Public Credit, which are acquired in the public market and are valued at market prices. The average market rate of the TES at the end of December 2017 and 2016 was 5.34% and 6.43%, respectively.

No free or offsetting services, interest-free loans or transactions with no interest or consideration, or transactions whose characteristics differ from those with third parties, were presented between the Bank and the aforementioned shareholders.

Operations with administrators –

		31 Dec.2017		31 Dec.2016
ASSETS				
Loan portfolio				
Housing	$	484.520	$	519.698
Consumption		44.450		92.852
Accounts receivable				
Interest receivable		1.292		1.850
Social welfare		12.448		9.296
Others		4.165		813
Provision				
Equity		(5.905)		(7.449)
Interests		(14)		(21)
	$	540.957	$	617.039
LIABILITIES				
Accounts payable				
Wellness	$	2	$	92
Others		2.899		-
Holidays		291.939		329.480
	$	294.841	$	329.572
INCOME				
Portfolio income				
Interest on loans	$	26.069	$	31.318
Income - Miscellaneous				
Recoveries		1.148		2.712
Profit on sale of furniture		-		100
Other Income		800		1.300
	$	28.017	$	35.430
EXPENSES				
Staff costs				
Personnel Expenses	$	3.283.138	$	2.615.599
Expenses - Miscellaneous				
Assumed Withholdings		16.377		21.977
Others		144.583		57.457
Provisions		-		24
	$	3.444.099	$	2.695.057

The assets correspond to housing, vehicle and unrestricted investment loans and accounts receivable on them, granted in accordance with the term and rate conditions in force in the internal regulations for housing, vehicle and unrestricted investment loans for the Bank's employees.

Operations with subsidiaries –

	31 Dec.2017	31 Dec.2016
ASSETS		
Investments		
Fiducoldex S.A.	$ 48.844.216	$ 50.984.465
Arco Grupo Bancoldex S.A.	57.147.830	53.051.574
Credit portfolio		
Arco Grupo Bancoldex S.A.	155.194.015	140.708.457
Credit provisions		
Arco Grupo Bancoldex S.A.	(5.667.366)	(4.855.761)
Portfolio interest		
Arco Grupo Bancoldex S.A.	570.117	579.356
Accounts receivable - Sundry		
Fiducoldex S.A.	268.274	-
Arco Grupo Bancoldex S.A.	301.801	-
Provision for accounts receivable		
Arco Grupo Bancoldex S.A.	(20.850)	(19.960)
	$ 256.638.037	$ 240.448.131
LIABILITIES		
Financial obligations		
Arco Grupo Bancoldex S.A.	$ 152.240	$ -
Accounts payable		
Fiducoldex S.A.	8.658	-
Arco Grupo Bancoldex S.A.	8.993	-
	$ 169.890	$ -
EQUITY		
Surplus for the equity method		
Fiducoldex S.A.	$ 12.786.732	$ 14.736.441
Arco Grupo Bancoldex S.A.	12.607.938	11.506.019
	$ 25.394.670	$ 26.242.460

		31 Dec.2017		31 Dec.2016
INCOME				
Portfolio income				
Arco Grupo Bancoldex S.A.	$	11.460.296	$	10.631.933
By the equity method				
Fiducoldex S.A.		4.400.389		3.522.642
Arco Grupo Bancoldex S.A.		507.448		2.143.740
Dividend income				
Fiducoldex S.A.		-		2.965.598
Arco Grupo Bancoldex S.A.		-		2.378.677
Provision recoveries				
Arco Grupo Bancoldex S.A.		1.624.743		2.345.973
Rental Income				
Fiducoldex S.A.		562.278		17.274
Arco Grupo Bancoldex S.A.		29.115		27.424
Other Income				
Fiducoldex S.A.		1.786		13.710
Arco Grupo Bancoldex S.A.		4.957		4.658
	$	18.591.011	$	24.051.629
EXPENSES				
Other Interests				
Arco Grupo Bancoldex S.A.	$	2.802	$	-
By the equity method				
Fiducoldex S.A.		459.093		-
Arco Grupo Bancoldex S.A.		1.011.933		-
Leases				
Arco Grupo Bancoldex S.A.		8.910		12.677
Provisions				
Arco Grupo Bancoldex S.A.		2.437.239		1.816.139
	$	3.919.976	$	1.828.816

The investments correspond to the Bank's 89.32% and 87.45% interest in Fiducóldex S.A. and Arco Grupo Bancóldex S.A., respectively.

The loan portfolio corresponds to ordinary loans granted to Arco Grupo Bancóldex, which were granted under current general market conditions for similar transactions. The weighted average rate of the portfolio with Arco Grupo Bancóldex for 2017 and 2016 is DTF (E.A.) + 1.46% and DTF (E.A.) + 1.36%, respectively.

Other income mainly corresponds to lease payments and reimbursement of shared expenses received from Fiducóldex and Arco Grupo Bancóldex.

There were no free or compensated services, interest-free loans or transactions between the Bank and the aforementioned subsidiaries that differ in nature from those with third parties.

Operations with Board Members –

	31 Dec.2017		31 Dec.2016	
ASEETS				
Loan Portfolio				
Housing	$	-	$	8.902
Accounts receivable				
Interest receivable		-		39
Payments on behalf of customers		-		13
Others		4.007		3.876
Provisions				
Loans		-		(89)
Interest receivable		-		(1)
	$	4.007	$	12.740
INCOME				
Interest on loans	$	225	$	612
Recoveries		90		68
	$	315	$	680
EXPENSES				
Fees	$	384.351	$	350.088
Provisions		-		1
	$	384.351	$	350.089

Corresponds to the fees paid for attending Board of Directors, Credit Committee, GAP Committee, Audit Committee and Capital Fund Committees. The Bank and the members of the Board of Directors did not offer any free or compensated services, loans without interest or any other consideration, or transactions whose characteristics differ from those carried out with third parties.

31. RISK MANAGEMENT

The Bank's risk management is a "cross-cutting" process throughout the organization. It is carried out in an integral manner and in compliance with current regulations and the internal guidelines defined by the Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks to ensure the Bank's financial sustainability and is supported by an organizational structure that guarantees the independence of functions between the front, middle and back office areas. This management is materialized through the interrelationship of the Credit Risk Management System (SARC), the Market Risk Management System (SARM), and the Liquidity Risk Management System (SARL), the Operational Risk Management System (SARO), the Information Security and Business Continuity System (ISMS) and the Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT). Each of these systems includes policies, methodologies for measuring and monitoring risks, clear identification of processes and procedures, among others.

The Board of Directors is the main body responsible for risk management at the Bank and, as such, leads the process and decisions in this area. The Board approves the general risk management policies and the organizational structure on which the Bank relies to manage the different risk systems on an individual and consolidated basis.

The organizational structure includes committees and areas dedicated as a priority to activities related to risk management, which support the definition of guidelines and strategies and the monitoring and control of such management. Similarly, internal audit (headed by the Internal Comptroller's Office) and the Fiscal Comptroller's Office are informed of the Bank's operations and periodically submit reports related to their risk management evaluations.

The committees are decision-making bodies that support the Board of Directors in the management of the different risk categories:

Instance	Risk Category	Main Functions
Board of Directors' Risk Management Committee	Credit Risk Operational Risk Liquidity Risk Market Risk	• Analyze proposals for credit, market, liquidity and operational risk policies and recommend them to the Board of Directors. • Approve credit and counterparty limits. • Approve general guidelines for credit risk management methodologies. • To express an opinion on the Bank's operational risk profile. • Approve the contingency and business continuity plans and have the necessary resources for their timely execution.
Audit Committee	Credit Risk Operational Risk Liquidity Risk	• Analyze the results of the audits carried out on the processes related to risk management.

	Market Risk Risk of ML/FT	• Monitor the levels of risk exposure, its implications for the entity and the measures adopted to control and mitigate it.
Internal Credit Committee	Credit Risk	• Approve specific topics for credit risk management methodologies. • Approve smaller credit limits.
Portfolio Rating Committee	Credit Risk	• Approve the qualifications of debtors for purposes of calculating provisions. • Monitor the risk profile of debtors.
Assets and Liabilities Management Committee	Market Risk and Liquidity Risk -	• Approve procedures and methodologies related to market and liquidity risks. • Approve placement, recruitment and coverage strategies. • Monitor the Bank's liquidity situation.
Quality and Operational Risk Committee	Operational Risk -	• To monitor the effectiveness and performance of the SARO, the MECI, and the Quality Management System, acting as an instance of integration and strengthening of these management systems. • To recommend and approve, as a prior instance to the Board of Directors, risk profile measures, methodologies and procedures for the management of operational risks. • Monitor the Bank's operational risk profile.
Information Security and Business Continuity Committee	Information Security and Continuity -	• Analyze and approve information security and business continuity policies. • Recommend, control and monitor the execution of the Information Security Plan at Bancóldex. • To make decisions in the administration processes and document management techniques.
Conglomerate Risk Committee	Credit Risk Operational Risk Liquidity Risk Market Risk	• Propose to the Board of Directors of Bancóldex the general risk management policies that they will apply to the entities of the Bancóldex Group. • Monitor exposure to the different types of risk, both for each Group entity and at the consolidated level.

a) Credit Risk –

Qualitative information - The Bank's credit risk management is aligned with the standards established by the Superintendence of Finance of Colombia, principles framed in international best practices. For this purpose, the Bank has a Credit Risk Management System - SARC that incorporates policies, processes and procedures, methodologies for granting and monitoring and auditing processes, covering the different products and segments served by the Bank.

Among the policies are those of a general nature that frame the Bank's credit operation, such as business strategy, provisions, write-offs, restructuring, among others, and the specific policies for each of the Bank's products and segments that define the criteria for granting, monitoring, maximum credit exposure and guarantees to be required.

The Bank has methodologies and models for credit risk analysis that support the granting and monitoring processes specialized for the different segments it serves. For local credit institutions, foreign financial intermediaries and microenterprise credit-oriented institutions, the models are based on the CAMEL methodology and incorporate quantitative and qualitative aspects and prospective analysis. These models incorporate statistical information and are complemented by expert judgement. In line with the above, for direct loans to companies, the Bank has a methodology for granting and monitoring loans that is based on the client's financial information and financial history with the financial system in general and seeks to assess the debtor's ability to pay and future generation of funds.

The Risk Vice Presidency is responsible for proposing to the Board of Directors the methodologies and models used for the origination and monitoring of loans. These models must be validated periodically to measure their effectiveness.

During 2017, all segments continued to strengthen their periodic early warning reports, projections and scenario analyses. In addition, in line with the Bank's new strategy, the Board of Directors approved a policy framework for direct loans to companies and strengthened the methodology for granting and monitoring these companies. Similarly, some of the Bank's credit management processes were reviewed and adjusted.

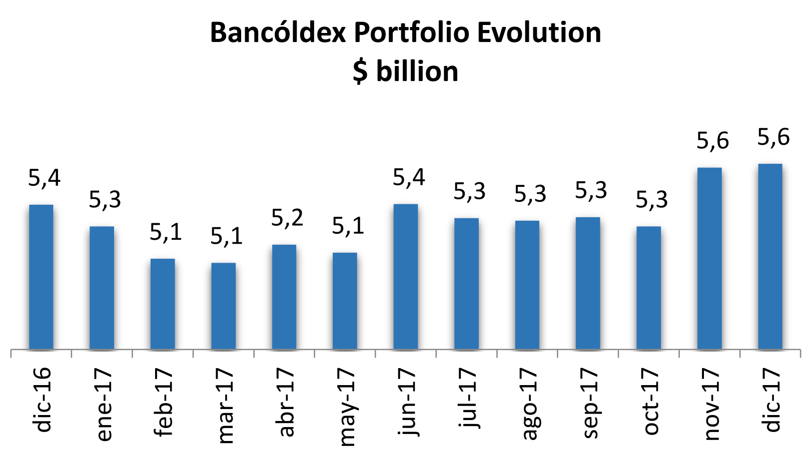
The Risk Vice Presidency reports periodically to the Board of Directors and the different Committees on the results of credit risk analyses and the evolution of the risk profile of both the Bank's credit operations and counterparties. As part of the follow-up and monitoring process, the entire loan portfolio must be rated monthly by applying the regulatory guidelines, which take into account the financial condition and ability to pay of each debtor. According to the qualification assigned, the constitution of the required provisions is defined.

Quantitative Information

Consolidated exposure to credit risk - The Bank's maximum exposure to credit risk is reflected in the carrying value of financial assets in the statement of financial position as of December 31, 2017 and 2016, as indicated below:

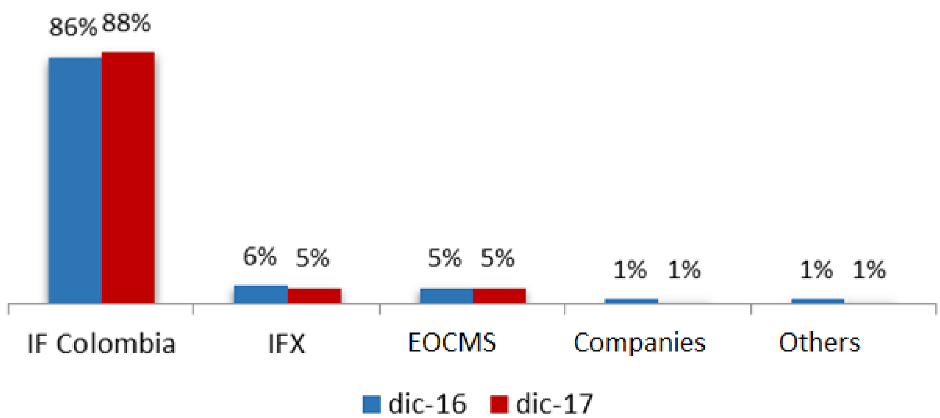
	dic-17	dic-16
Loan portfolio	5.582.660.978	5.583.986.386
Debt securities	842.958.078	965.060.817
Equity securities	366.628.621	273.457.553
Derivatives	89.310.161	173.828.000
Financial guarantees	58.891.123	26.533.247
Money market operations in progress	21.417.338	87.996.813
Maximum credit risk exposure	**6.961.886.299**	**7.110.862.816**

The maximum exposure to credit risk corresponds to its carrying amount at the end of the period without considering any guarantees received or other credit enhancements.



Risk concentration - The Bank monitors credit risk concentration through different portfolio groupings such as: by type of entity, type of portfolio, risk category and country, as presented below:

Portfolio Distribution by segment



EOCM: microenterprise credit-oriented institutions, IFX: foreign banks,
Companies: portfolio received from liquidated financial institutions and others: operations liquidex product

Distribution by type of portfolio

Type of portfolio	dic-17	dic-16
Commercial	5.563.597.313	5.564.390.796
Consumption	1.298.832	1.460.250
Housing	17.764.833	18.135.339
Total	**5.582.660.978**	**5.583.986.385**

The structure of the Bank's loan portfolio mainly includes commercial credit. The commercial portfolio for purposes of provision estimation models is divided into a commercial portfolio under the rediscount mechanism and a direct commercial portfolio. Notwithstanding the foregoing, and in compliance with External Circular Letter 054 of 2009 issued by the Superintendence of Finance of Colombia, the Bank presents a housing and consumption portfolio which is exclusively due to loans granted to officials and ex-officials prior to their retirement.

Distribution by risk ranking

Rating	dic-17	dic-16
A	5.526.325.080	5.524.096.300
B	9.414.634	5.289.112
C	2.906.975	4.254.739
D	19.324.823	38.274.751
E	24.689.466	12.071.483
Total	**5.582.660.978**	**5.583.986.385**

Distribution by country

Country	dic-17	dic-16
Colombia	5.301.790.644	5.249.233.193
Ecuador	203.153.789	204.803.844
Panamá	10.941.333	41.509.822
Costa Rica	4.476.000	27.006.390
Dominican Republic	17.904.000	24.136.005
Perú	36.625.291	4.926.956
Others	7.769.921	32.370.175
Total	**5.582.660.978**	**5.583.986.385**

Indicators of portfolio quality

Portfolio quality		**Dic-17**	**Dic-16**
Delinquency	Indicator[1]	0,88%	0,93%
	Coverage (times)	4,31	4,2
Risk Profile	Indicator[2]	1,01%	1,07%
	Coverage (times)	3,8	3,6

1 NPL ratio = past-due portfolio/gross portfolio

2 Risk profile indicator = rated portfolio B-E/gross portfolio

As of December 2017, the gross portfolio balance was $5.6 trillion and remained at a similar level to the previous year. The past-due portfolio stood at 0.88% and increased due to the default of Internacional Compañía de Financiamiento in November 2015. Because of this situation, in December 2015, the Bank received a portfolio of $121,993 million represented in 161 clients. As a result, and as part of this process, several clients stopped attending to their obligations with Bancóldex. The Bank began the process of collection and normalization of the loan portfolio received and as of December 31, 2017 the balance of this portfolio amounted to $ 55,218 million, in 60 clients and distributed in several risk categories.

Credit risk management - Other financial instruments - The basic policies and rules for handling credit operations also cover treasury operations, particularly in the case of counterparties with whom interbank and derivative operations are carried out, among others. For each of the positions that make up the investment portfolio, the Bank has policies and limits that seek to minimize exposure to credit risk, among others:

· *Credit limits and term limits for each counterparty* - are defined by the Risk Management Committee according to the results of each counterparty's risk rating model.

· *Trading quotas* - These are verified by the front office prior to the closing of transactions so as to guarantee that there is enough money available to carry out the transaction.

· *Local framework contracts and ISDAs/Credit Support Annex* - these bilateral agreements describe the handling of transactions between counterparties in accordance with international best practice and limit the legal and financial risk of default. These documents are used to agree on the risk exposure mitigation mechanisms (threshold), the procedures to be followed in the event of default and the special conditions by type of transaction, which are applied to derivatives.

· *Counterparty alerts* - the Bank has alert indicators that allow it to identify changes in the financial situation of counterparties in a timely manner. The Risk Vice Presidency submits periodic reports to the Risk Management Committee on the financial condition of counterparties that have assigned limits to operate.

b) Market Risk –

Qualitative information - Market risk is defined as the possibility of losses being incurred, net interest income being reduced and/or the economic value of equity being reduced as a result of changes in the price of financial instruments in which positions are held on or off the balance sheet. These changes in the price of the instruments may result from changes in interest rates, foreign exchange rates and other important variables on which the economic value of the instruments depends.

Market Risk Management - The Bank manages market risk by identifying, measuring, monitoring and controlling the various interest rate, exchange rate, collective portfolio positions and stock price risk exposures. Market risk management is permanent and generates daily, weekly and monthly reports to senior management and to all front, middle and back office officials with the objective of making timely decisions to adequately mitigate the risks assumed and guarantee risk appetite and risk limits approved by the Board of Directors. This management is framed within the guidelines of the Superintendence of Finance of Colombia (chapter XXI of E.C. 100) and is supported by internal methodologies that allow monitoring the exposure of the different products traded in the Bank's Treasury. This is consolidated in the Market Risk Management System Manual - MRSA, which defines: policies, organizational structure, methodologies, etc.

In addition, the Bank has segregated front, middle and back office areas that allow it to identify, measure and analyze information on the market risks inherent in the different operations.

The businesses in which the Bank is exposed to market risk are: buying and selling fixed income products in legal and foreign currency, positions in the spot market and forward´s, Bonds and CD´s in the financial sector with indexation at variable rates such as IPC, DTF and IBR. The Bank has a strategy of treasury and derivative financial instruments business, ensuring that the risks assumed do not affect the Bank's equity soundness and stability.

In the Bank, the Risk Vice-Presidency is responsible for proposing, developing and ensuring adequate compliance with the policies, methodologies, procedures and general guidelines approved by the Board of Directors and the Risk Management Committee of the Board of Directors to carry out market risk management. It is also responsible for the measurement, analysis and control of the risks inherent in the business, as well as the periodic review and evaluation of the valuation methodologies of the different products traded in the Treasury.

The Asset and Liability Management Committee is the body to which the Board of Directors has delegated the responsibility for approving the maximum levels of exposure to market risk that the Bank may assume in each of the Treasury products.

To determine the level of risk assumed in Treasury book operations, the Bank uses the standard Value at Risk (VaR) methodology established in Chapter XXI of the Basic Accounting and Financial Circular Letter of the Superintendence of Finance of Colombia. According to Appendix I of said circular, the calculation of the total value at risk of the investment portfolio results from the sum of the exposure to interest rate, share price and exchange rate risk. This value is calculated daily in the Financial Risk Department. The VaR calculated is incorporated into the solvency level in accordance with current regulations.

In addition to regulatory compliance, the Bank uses an internal value-at-risk measurement model, the results of which are used as a complementary analysis and management mechanism. This internal model allows daily monitoring of the market risk exposure of the Treasury's product portfolio, the results of which are constantly reported to the areas and committees involved. The results of the market risk assessment are the starting point for daily trading. The calculation of VaR using the internal model is carried out daily in accordance with market conditions and the risk factors defined in this methodology. This internal model is subjected to back and stress testing tests that allow the Bank to know the validity of the model and to know how accurate the loss projections are compared with the accounting reality and to determine the possible losses in situations of market stress.

Quantitative information - The Bank's investment portfolio as of December 31 of 2017 and 2016 is presented below:

	31-dic-17	Part. %	31-dic-16	Part. %
At amortized cost	0	0	0	0
At fair value with changes in the ORI	429.726.820	51%	441.357.567	43%
At fair Value	413.231.260	49%	553.706.250	57%
Total	842.958.080		965.060.817	

Figures in $ thousands

At the end of 2016, the Treasury increased the value of the portfolio by strategy to generate short-term profit, due to market conditions, after the profit taking in 2017, the value of the portfolio returned to levels of approximately $ 850,000,000 thousand.

Maximum, minimum and average investment portfolio amounts:

	Year 2017			Year 2016		
Investments	Maximum Amount	Minimum Amount	Average Amount	Maximum Amount	Minimum Amount	Average Amount
At amortized cost	-	-	-	-	-	-
At fair value with changes in the ORI	440.089.170	410.562.470	424.158.622	627.347.358	366.744.235	461.555.934
At fair Value	715.623.925	352.008.130	495.975.932	432.320.718	351.766.748	395.891.122

Figures in $ thousands

Total Market Risk - The Bank's total market risk exposure is calculated as the algebraic sum of the Bank's interest rate, foreign exchange, equity price and collective portfolio risk exposures.

The total change in market risk and in the components thereof is shown below:

	Year 2016			
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	70.159.406,98	53.792.309,21	62.852.070,76	66.949.730,48
Exchange rate	2.972.359,77	200.464,30	1.450.995,84	2.855.110,53
Share price	2.937.709,46	2.386.385,74	2.708.892,33	2.826.893,73
Collective portfolios	11.835.126,46	9.337.635,86	10.410.923,57	11.835.126,46
Total	**84.466.861,20**	**70.651.656,04**	**77.422.882,50**	**84.466.861,20**

	Year 2017			
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	77.696.303,73	49.588.069,25	59.602.957,60	54.036.939,11
Exchange rate	2.868.446,15	3.708,64	654.705,50	169.381,73
Share price	2.776.789,92	2.431.245,36	2.561.019,42	2.525.476,41
Collective portfolios	14.227.407,16	12.371.585,82	13.109.708,07	14.227.407,16
Total	**95.167.610,95**	**65.761.123,94**	**78.352.185,03**	**70.959.204,41**

*figures in $ thousands

The Bank's exposure to market risk decreased 16% from $84,466,861 thousand at the end of December 2016 to $70,959,204 thousand at the end of December 2017. This behavior is mainly explained by the reduction in the exposure to interest rate risk, because of the lower value of the investments portfolio in local public debt instruments; and to a lesser extent by the exchange rate and stock price risk.

c) Liquidity Risk –

Qualitative information - The processes for liquidity risk management are framed within the segregation of duties and the observance and adoption of the best practices and requirements of different regulatory and control bodies. In this regard, the Bank's Treasury manages cash flow, considering funding costs and short-term cash commitments, the Financial Risk Department develops and applies methodologies to alert, monitor and project potential triggers of liquidity risk, the Operations Department ensures operational compliance with the Bank's cash movements and the Internal Comptroller ensures compliance with liquidity risk standards, policies and processes.

To measure liquidity risk, the Bank uses the reference methodology of the Superintendence of Finance of Colombia, which establishes the degree of exposure to said risk through the calculation of the Liquidity Risk Indicator (IRL). In addition, and in a complementary manner, the Bank has an internal model for measuring liquidity, early warning indicators and stress scenarios.

The Bank's early warning system seeks to simulate scenarios to guarantee a margin of maneuver for timely decision-making. These alerts are an integral part of the liquidity contingency plan, which provides the appropriate tools and procedures to mitigate situations of potential illiquidity. Liquidity risk management includes periodic reports (daily, weekly and monthly) to monitor the different indicators and alerts and thus the exposure to this risk.

Quantitative Information

Liquid assets - The following table presents the liquid assets to market (discounting haircut) discriminated by their degree of liquidity, which show that the Bank has a high participation of high quality assets (that can be delivered in repo operations with the Banco de la República).

Liquid assets discriminated against

Liquid assets	dic-17	dic-16
High liquidity	827.931.092	735.282.850
Available	130.879.182	80.597.896
Investments High quality securities	697.051.910	654.684.954
Other liquid assets	24.441.896	59.012.804
Total liquid assets	**852.372.988**	**794.295.654**

Figures in $ thousands

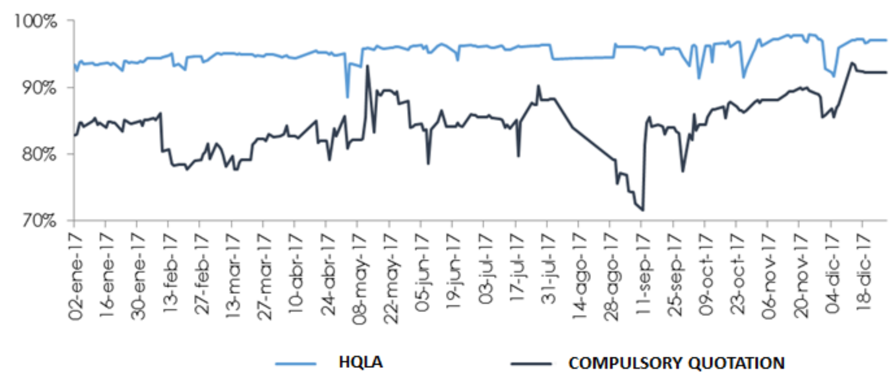
Liquid assets presented an increase of 7.31% compared to the previous year, and on average were at a level of $864,505,331 thousand.

High quality liquid assets - High quality liquid assets averaged 95% during 2017, which indicates that almost all of these types of assets can be used in money market operations with Banco de la República and their haircut is low.

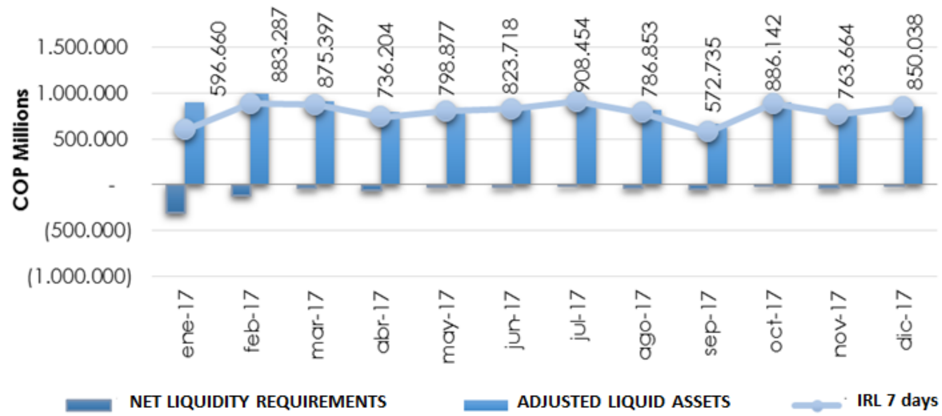
During 2017, high quality liquid assets increased compared to the previous year, thanks to the significant reduction in lower quality liquid assets -Other liquid assets, due to the Treasury's strategy of reducing investments in private debt due to prospects of lower profitability of these instruments, considering the expansionary monetary policy that was presented throughout 2017.

Likewise, the internal indicator that establishes the participation of mandatory quoted securities (market maker's program) against the total of the negotiable portfolio averaged 84%, which indicates that a large part of the Bank's negotiable portfolio has securities with a high market liquidity classification, in other words, that they are easily settled in the capital market and at favorable rates.

High quality liquid assets



Liquid Assets and 7-day Liquidity Requirements



As of December 31, 2017, the Bank presented a seven-day IRL of $850,038,037 thousand, while the same indicator in 2016 showed a result of $767,664,048 thousand, which represents an increase of 11% over the previous year. This growth is explained by the fact that during 2017, the level of liquid assets was higher than the previous year since there were no significant outflows of resources due to payments of liabilities (Correspondents, CDTS and Bonds).

Likewise, there was a stable behavior of the net liquidity requirements during 2017 (average of $ 51,395,501 thousand), which allowed the Bank to secure the liquid assets necessary to cover the maturities of CDs, bonds and credits with the correspondent banks and to maintain an important level of assets to support its credit and treasury activity.

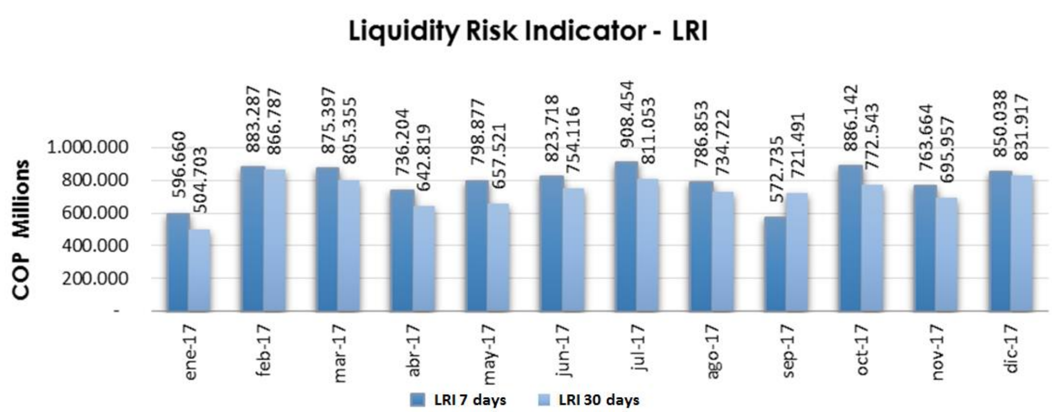
IRL 7 DAYS	dic-17	dic-16
Liquidity risk indicator	850.038.034	767.664.048
Market liquid assets	852.372.988	794.295.654
Net liquidity requirements	2.334.954	26.631.606
IRL	**36,51%**	**2,98%**

Figures in $ thousands

IRL 30 DAYS	dic-17	dic-16
Liquidity risk indicator	831.917.375	668.772.673
Market liquid assets	852.372.988	794.295.654
Net liquidity requirements	20.455.612	125.522.981
IRL	**4,167%**	**633,00%**

Figures in $ thousands

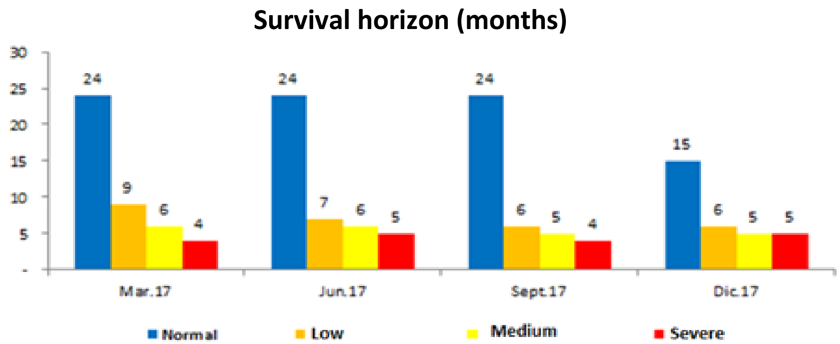
The 7-day percentage IRL is 36.51%, indicating that the Bank's liquidity condition is ample to cover its short-term payment obligations (36.5 times). The following graph shows the evolution of liquid assets and liquidity requirements over the last year, as well as the performance of the IRL.



Internal liquidity risk measurement model: Survival Horizon - The survival horizon indicates the time (in months) that liquid assets cover projected payment commitments over a period of time. The survival horizon is calculated based on 12-month cash flow projections, which include contractual commitments, as well as the annual budget approved by the Board of Directors at the end of each year.

On the other hand, this model has a series of alerts, defined under different scenarios, namely:

	Scenario	Stress Level	Anchoring level	Alert
Normal	Normal course of business		100%	12 months
Stress	• CD Renovation index = 0%	Low	80%	6 months
		Medium	65%	3 months
		Severe	50%	1 month
	• Limited access to estimated anchorage			



The internal model indicates that at the end of 2017, the liquidity situation is adequate since the liquid resources and the portfolio recoveries allow the payment of liabilities to be covered both in the normal scenario and in the different stress scenarios.

Compliance with the above projections depends fundamentally on compliance with the Bank's projected budget and on adequate modeling of the variables projected by the Bank's Financial Risk Department (NPL ratio, prepayments, seasonal disbursements, CDT renewal ratio).

d) *Operational Risk -*

Qualitative information - The policies and methodologies on which the Bank frames operational risk management are set forth in the SARO Manual, which follows the bases and guidelines required by the Superintendence of Finance of Colombia, for the development of an operational risk management system according to External Circular Letter 041 of June 29, 2009, which was constituted in Chapter XXIII of the Basic Accounting and Financial Circular Letter or External Circular Letter 100 of 1995, also includes the policies for the implementation and support of the Internal Control System, established in Circular Letter 014 of 2009.

To effectively manage the Bank's Operating Risk, we have established our own measurement parameters in accordance with the structure, size, corporate purpose and processes of the company. It is also aligned with best practices for the management of Operational Risk, in an operating model built on the principles developed by the Basel II Committee.

Like the Bank's other risk management systems, SARO is based on general and specific policies determined by the Board of Directors and is based on an organizational structure that guarantees an appropriate segregation of duties between front, middle and back office. Likewise, there are suitable methodologies that allow the identification, monitoring, mitigation and control of operational risks.

Given that this type of risk is dynamic and susceptible to constant changes in the business and its environment, monitoring schemes are adopted to facilitate the rapid identification of new risks and the mitigation of existing ones through the execution of action plans. This monitoring shall be carried out at least annually or in accordance with operational risk events.

With regard to the operational risks of fraud and corruption, the guidelines adopted correspond to the principles established by the Transparency Secretariat of the Office of the President of the Republic, DNP, DAFP and the United Nations Office on Drugs and Crime (UNODC); "Estrategias para la construcción del Plan Anticorrupción y de Atención al Ciudadano", guide published in compliance with the provisions of the Anti-Corruption Statute - Law 1474 of 2011 " By which norms are dictated aimed at strengthening the mechanisms for the prevention, investigation and punishment of acts of corruption and the effectiveness of public management control", art. 73.

Quantitative information - According to current regulations, operational risk events are classified in types A, B and C.

As of December 31, 2017, the Operational Risk Self-Assessments of all the Bank's processes had been carried out, 792 risks were identified and mitigated with 1,624 controls, 24.2% of the risks were classified as high and 3% as critical, and these risks had their respective controls and were monitored by the process leaders and the governing bodies established in the SARO Manual.

The enterprise operational risk map was developed under different perspectives, reflecting the operational risk profile that is within the acceptable risk level of the Organization.

RADAR Application - Historical basis of operational risk events - Officials reported the operational risk events presented in each of the areas. As of December 31, 2017, 186 events were reported, a 41% decrease from 2016. This behavior was caused, among other factors, by the stabilization of some applications, implementation of action plans and the automation of some processes that were highly manual.

Event	No.	Participation
Type A	7	3.8%
Type B	169	90.9%
Type C	10	5.4%
TOTAL	**186**	**100%**

During 2017, the economic losses from operating risk generated in events classified as "Type A" were $1,509.8 million and were recorded in their respective operating risk accounting accounts;

recoveries amounted to $124.5 million, so the net effect of the economic losses from operating risk was $1385.3 million.

Accompaniment in the development of projects or products - During 2017, the Operational Risk Office participated in and accompanied the development of projects such as the Savings Account, where processes such as Legal Support, Price Definition, Channel Service, Linking, Customer Creation and Updating, Tax Management, Accounting Management, Transactional Monitoring, Fraud Investigation, Operational Administration of resources, Confirmation and Registration of operations, among others, were associated. Additionally, it accompanied the Project Structuring of projects: Delta and Pioneers, implementation of the new CRM, modernization of the Treasury core and the Fund of Funds product, among others.

Visits by control and supervision bodies - The requirements presented by the delegations of the Superintendence of Finance of Colombia, Internal Audit and the Fiscal Audit Office - Deloitte were met, and for the second half of 2017 they made visits with satisfactory results.

e) Money Laundering and Financing of Terrorism Risk Management System - SARLAFT

During 2017, Bancóldex continued to apply and maintain SARLAFT to prevent and mitigate money laundering and terrorist financing (ML/FT) risks in its operations. The following procedures were mainly carried out: Updating of the SARLAFT Manual, strengthening policies and procedures especially on the adequate knowledge of the client, incorporating the adjustments required by External Circular Letter 055 of December 26, 2016, issued by the Superintendence of Finance of Colombia, regarding the identification of final beneficiaries of legal persons, additional due diligence for Publicly Exposed Persons (PEs) and financial sanctions directed by the United Nations. The Customer or counterparty knowledge sub-process was created within the Bank's process map and its documentation was supplemented for greater clarity for the officials involved in the process. The Bank's risk profile was monitored for customer, product and jurisdiction risk factors, associated risks and the Bank's consolidated risk profile, both inherent and residual, the latter remaining within the level approved by the Board of Directors.

Regarding the technological tools that support the prevention of ML/FT risks, the implementation of the new system for monitoring customers and transactions was initiated, which allows for models for customer profiling and the detection of unusual and suspicious transactions; as well as the consolidation of customer information and transactions, facilitating the management of ML/FT risks. Tests were also initiated on the new version of the system for consulting and controlling customers, counterparties and their related parties compared to those reported for ML/FT activities, incorporating functionalities that will support the consolidation of the final beneficiaries.

We continued with the training, socialization and updating of Bank officials on the proper knowledge and updating of clients and counterparties, especially with respect to the requirements of the Superintendence of Finance of Colombia regarding the identification of final beneficiaries and PEPS; The training was provided to officials of entities oriented towards corporate microcredit that maintain a current credit exposure quota with the Bank; and other targeted training was provided for the prevention and mitigation of ML/FT risks in the Bank's operations. Likewise, meetings were held with the Compliance Officers and teams of the two subsidiaries of the Bank, and relevant issues were defined for the alignment of the main general policies and synergies on compliance management of the Bancóldex Group entities.

In addition, the internal periodic regulatory reports, including those of the Compliance Officer, Internal Comptroller and Fiscal Auditor, the Audit Committee and the Board of Directors, and the external reports to the Financial Information and Analysis Unit (UIAF), as well as the steps required to deal with the updates of the persons appointed by the United Nations Security Council (UN), were duly attended to. Finally, the specific SARLAFT requirements of the different competent authorities were met in time.

f) FATCA (Foreign Account Tax Compliant Act) and CRS (Common Reporting Standard) Compliance System -

The Bank maintained its status as a participating FFI (Foreign Financial Institution) before the US IRS (Internal Revenue Service) and retains the GIIN (Global Intermediary Identification Number) assigned to it: 7AFXBH.99999.SL.170. Likewise, the updating of the FATCA due diligence was managed to the intermediaries and financial institutions with which the Bank maintained links or operations and the information requirements of entities regarding compliance with FATCA and CRS were met.

Likewise, in the development of new Bank products, the new application was parameterized and tested to support management against FATCA and CRS and to generate the information required by the regulatory reports of reportable customers.

32. CORPORATE GOVERNANCE

Since 2001, Bancóldex has had a system of corporate governance documented in the Good Governance Code that contains the policies and procedures for an adequate allocation of roles and responsibilities for shareholders, the Board of Directors, senior management and control bodies, oriented towards transparency of information, risk management and the protection of the interests of shareholders, investors and the market in general.

Board of Directors and Senior Management - The Board of Directors is permanently informed of the Bank's processes and business. After the General Shareholders' Meeting, the Board is the highest governing body and defines the entity's general risk policies and, based on these, establishes a delegation scheme for the approval of operations by the Risk Management Committee, the Asset and Liability Management Committee, the Internal Credit Committee and the Administration.

Reports to the Board of Directors - Periodically, reports are presented to the Board of Directors and the Risk Management Committee regarding the status of the Bank's credit placements, monitoring of the financial situation of the different debtors (financial intermediaries, countries, etc.).), progress reports on the Credit Risk Management System (SARC), Market Risk Management System (SARM), Operating Risk Management System (SARO), Liquidity Risk Management System (SARL), Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT), review of policies and methodologies for credit risk assessment, market and liquidity, operational, compliance with limits, among others. The Bank's risk exposure is reported periodically to the Board of Directors.

In addition to Bancóldex's risk management systems, reports related to the Conglomerate Risk Management System are submitted to the Bank's Board of Directors.

Likewise, all significant risk events detected by the different areas of the Bank are reported to the Board of Directors and Senior Management.

Technological infrastructure - All areas of the Bank have an adequate technological support infrastructure. The risk control and management area also has the appropriate technological infrastructure to obtain the necessary information for the analysis and monitoring of risk in current operations.

Risk measurement methodologies - To identify the different types of risk, the Bank has methodologies and measurement systems that allow it to determine its exposure to the risks inherent in the business, as mentioned in the Risk Management section, and are documented in the respective manuals.

The Risk Vice Presidency is the area specialized in the identification, monitoring and control of the risks inherent to the different types of business. The Risk Vice Presidency evaluates credit risk, market risk, liquidity risk, operational risk and country risk. The Legal Vice-Presidency - General Secretariat carries out the legal risk assessment.

Organizational structure - At Bancóldex, the areas that make up the back, middle and front office are clearly defined. There is also adequate segregation of duties at all levels of the organization and in all operations.

Verification of operations - The Bank has mechanisms for verifying the negotiations carried out, such as agreements to record telephone calls for treasury operations and written communications with counterparties in which the conditions of each negotiation are set forth. Likewise, to comply with the operations, funds are received or transferred through systems that provide a high degree of security such as Sebra from the Banco de la República, SWIFT, Deceval (manages and custodians the dematerialized collection instruments) and DCV (manages and custodians the fixed-income securities).

Monthly, the Bank publishes loan portfolio placement rates in national newspapers, as well as, through external circulars, the financial conditions of the different credit lines and requirements for access to them.

Through the Internet (www.BANCÓLDEX.com), BANCOLDEX credit users can obtain information on the operations they are responsible for, as well as the current financial conditions of the different credit lines.

The Bank has transactional systems that record asset and liability transactions on the dates of their occurrence, guaranteeing timeliness and accuracy in the accounting records.

Audit - The main management body of the Internal Control System (ICS) is the Audit Committee, which has ensured the proper functioning of Bancóldex's ICS and the Risk Management Systems, performing its functions in accordance with the Internal Regulations and with the provisions of the rules, both for government entities in general and for financial institutions.

In compliance with its responsibilities, it has served as a support and permanent communication channel with the Board of Directors in the decision-making process related to the Internal Control System and its continuous improvement.

During 2017, the Audit Committee held five (5) sessions, and remained informed of the results of the audits, the follow-ups to the improvement plans, the strengths, weaknesses and effectiveness of the Bank's internal control.

Through the work and results reports presented by the Internal Comptrollership and the Fiscal Comptrollership, the Audit Committee followed up on the development and compliance of the different Risk Management Systems applicable to the Bank. In compliance with the Basic Legal Circular of the Superintendence of Finance of Colombia, the Audit Committee continued to monitor the Bank's comprehensive risk management by receiving the consolidated reports in the different management systems; that is, from the point of view of operational (SARO), market (SARM), liquidity (SARL), credit (SARC), money laundering and terrorist financing (SARLAFT) and information security (SGSI) risks.

The Bank's Comptroller's Office adopted the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics as references. In accordance with these rules, it is governed by the principles of Independence, Objectivity and Authority and its main objective is "to provide independent and objective assurance and consultancy services aimed at adding value and improving the Bank's operations, evaluating and advising on the internal control system, risk management and corporate governance to support the Organization in achieving its objectives".

The Bank's Internal Control Model, together with that of the Quality Management System, have allowed the organization to focus on the continuous improvement of the elements of these systems, which is consistent with the progress made in other management systems applicable to the Bank, which shows favorable results in the progress and performance evaluations carried out by different external control bodies, with the Risk Management Systems enshrined in the regulations of the Superintendence of Finance of Colombia, and with the Internal Control System regulated by this entity in Part I, Title I, Chapter IV of the Basic Legal Circular Letter (External Circular Letter 029 of 2014).

The internal Comptroller of the Bank was aware of the operations that the Bank carried out during 2017; audits were carried out in accordance with the Annual Audit Plan, known and approved by the Audit Committee of the Board of Directors in the terms indicated in the Basic Legal Circular of the Superintendence of Finance of Colombia (Part I, Title I, Chapter IV - Internal Control System).

Likewise, the corresponding instances were informed of the impacts and risks derived from the observed situations, and the pertinent recommendations were presented in accordance with the provisions of the regulations to comply with the limits; conditions for the closing of operations; relationship between market conditions and the terms of the operations carried out; and parameters and minimum requirements of the different Risk Management Systems applicable to the Bank.

Among the aforementioned observations, there are no situations that have a systemic or significant impact on the internal control system, institutional objectives or the disclosure of financial information. Information on the audit results is available in the Bank's Document System and is subject to the relevant authorizations.

The reports and reports submitted by the Fiscal Audit Office for the period indicated were known and are documented in the Audit Committees held during the year.

33. LAWFUL CONTROLS

During the 2017 and 2016 periods, the Bank complied with all the legal requirements established for its operation.

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The management of Banco de Comercio Exterior de Colombia S.A. - Bancóldex has evaluated the subsequent events that occurred between January 1 and February 22, 2018, the date on which the financial statements were available for issuance, and determined that no subsequent events have occurred that require the recognition or disclosure of additional information in these statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The issuance of the separate financial statements of Banco de Comercio Exterior de Colombia S.A. - Bancóldex for the year ended December 31, 2017 was authorized by the Legal Representative and the Board of Directors, as set forth in Minute No. 369 of the Board of Directors of February 22, 2018, to be presented to the General Shareholders' Meeting as required by the Code of Commerce.

BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. - BANCÓLDEX

Certification of the Financial Statements

For the years ended December 31, 2017 and 2016

We declare that we have previously verified the statements contained in the financial statements of Banco de Comercio Exterior de Colombia S.A. - Bancóldex, as of December 31, 2017 and 2016, which have been faithfully taken from the accounting books. So, therefore:

- The Bank's assets and liabilities existed at the cut-off date and the transactions recorded were carried out during the period.
- The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations), obtained or payable by the Bank at the date of termination.
- All items were recognized as appropriate amounts.
- The economic facts have been correctly classified, described and disclosed.

In addition, the Financial Statements as of December 31, 2017 have been authorized for disclosure by the Board of Directors on February 22, 2018. These financial statements will be submitted to the Shareholders' Meeting on March 23, 2018, which may approve or disapprove these Financial Statements.

This certificate is issued on the twenty-second (22nd) day of February 2018.

Original signed by:	Original signed by:
Claudia María González	**Jairo Pedraza Cubillos**
Legal Representative	Accountant